

March 7

Australia	200.00	Indonesia	100.00	Philippines	100.00
Belgium	200.00	Iran	100.00	Portugal	100.00
Canada	200.00	Italy	100.00	Spain	100.00
Denmark	200.00	Japan	100.00	Sweden	100.00
France	200.00	South Korea	100.00	Switzerland	100.00
Germany	200.00	Taiwan	100.00	UK	100.00
Greece	200.00	Thailand	100.00	USA	100.00
Hong Kong	200.00	Turkey	100.00		
India	200.00				

# FINANCIAL TIMES

**BRAZIL**  
Adventures in the tin trade  
Page 20

No.31,093 • THE FINANCIAL TIMES LIMITED 1990 Thursday March 8 1990 D 8523A

## World News

### Opposition poll protests crushed in Mexico

Mexican police crushed opposition protests against alleged electoral fraud in Guerrero state, undermining the Government's growing popularity with political dissent. Three policemen were killed as security forces forcibly dispersed supporters of the left-centre Party of the Democratic Revolution from the town hall at Cruz Grande, near Acapulco. Page 22

### German backing

West German opposition Social Democrats (SPD) attacked the ruling Christian Democrats in Bonn for indicating to East German voters that financial support will start flowing into their country only if they vote for the centre-right alliance. Page 2

### Hostage 'solution'

Iran's President Ali Akbar Hashemi Rafsanjani said the Lebanese hostage crisis was going to be solved because it had turned into a tool for US propaganda, according to the Iranian news agency IRNA. Page 6

### Cambodians pressed

Thailand is seeking to put pressure on the warring factions in Cambodia by threatening to repatriate some of the 300,000 refugees in UN-supplied camps on its border. Page 6

### Indian inquiry

India's Central Bureau of Investigation plans to interrogate all six people named in a charge sheet filed on alleged vote-rigging in connection with a \$250m contract for the purchase of West German submarines in 1981. Page 6

### Turk shot dead

Gunsman shot dead Cetin Emez, a widely-respected communist and board member of Turkey's mass-circulation daily Hurriyet, in what appeared to be a professional killing. Page 3

### Bulgaria delays vote

Bulgaria's first free parliamentary elections for more than four decades are expected to be postponed from May until June following a compromise between the ruling party and the opposition. Page 3

### Mongolians strike

Mongolian democracy activists began a hunger strike in Ulaan Bator's central square to press for the resignation of President Zhambyn Batmunkh and communist party officials. Page 3

### Bases controlled

Afghan President Najibullah said his forces controlled the country's military bases after crushing a coup attempt led by sacked Defence Minister Sharnawaz Tanai. Mujahideen guerrillas refused this claim. Page 6

### Israeli decision

Israel's divided coalition government averted a showdown and its possible collapse by delaying until at least Sunday any decision on joining unprecedented Israeli-Palestinian peace talks. Page 6

### E German hitch

E Germany's first free elections have run into a snag as nobody wants to count the votes despite a call for help. Page 6

## Business Summary

### US proposes compromise in IMF quota dispute

THE US, seeking to act as an "honest broker", offered a compromise in the dispute between Britain and France over the size of their respective shareholdings or quotas in the International Monetary Fund. The problem arises from Japan's desire to become the second largest shareholder, a rank held by Britain, which has agreed to give up some of its voting share. However, Britain and France each insist on their right to occupy fourth place according to complicated measurements of economic performance. Page 22

### MARKETS: Most bourses advanced, with Japanese buying of steel and engineering stocks lifting Frankfurt, a buoyant oil sector helping Paris and company results boosting Amsterdam. Back page, section II.

### NEC, Japan's largest producer of semiconductor chips, and AT&T Microelectronics, the semiconductor division of the US telecommunications company, yesterday announced a semiconductor technology partnership agreement. Page 22

### MOTOROLA, US communications and electronics group, is to spend more than \$100m (\$160m) setting up a factory in England to make mobile telephones. Page 12

### EUROPEAN steel industry has left its crisis years behind and has a bright five years ahead, according to a study by the European Commission. Page 2

### POLAND'S economy remains beset by recession as February industrial sales fell 29.3 per cent, according to figures issued by the Government's Central Statistical Office. Page 3

### GKN, UK automotive and engineering group, increased pre-tax profits by 31 per cent to \$21.6m (\$30m) in 1989 from \$17.7m a year earlier. Page 23

### HONG KONG was presented with a belt-tightening budget which reflects a sharp decline in the colony's rate of growth to 2 per cent last year. Page 6

### CHARTERHOUSE Bank has been left with an 11.5 per cent stake in Lowndes Queensway following the completion of the British furniture and carpet retailer's rights issue. Page 23

### SINGAPORE Airlines has chosen US Pratt and Whitney jet engines to power its new long-range fleet of Boeing 747 and McDonnell Douglas MD-11 aircraft. Page 10

### HILTON Hotels shares fell by 34% to \$61.4 as the company's board met to consider financial strategies in the face of a disappointing set of takeover offers. Page 23

### CARLSBERG, Danish brewer, said it was in discussions with three or four large UK brewers which would lead to the purchase of an additional brewery in Britain. Page 23

### AERITALIA, Italian state-controlled aerospace group, is looking for acquisition opportunities especially in Europe. Page 24

## Central banks fail in concerted effort to stem dollar rise

By Peter Norman in London and Janet Bush in New York

WIDESPREAD central bank intervention yesterday failed to prevent the US dollar rising on world foreign exchange markets. The West German Bundesbank and the US Federal Reserve led a round of concerted dollar sales which involved 15 central banks during afternoon trading in Europe yesterday.

Although an unusually large number of central banks were selling dollars, European monetary officials estimated the scale of intervention at some \$500m, or half Monday's level. The Bank of England participated in the action, selling dollars for D-Marks and yen. However, it was not seen supporting sterling.

The Bank's purchases of yen were thought to be on behalf of the Bank of Japan. In London, the dollar advanced to DM1.707 and ¥151.25 from DM1.701 and ¥149.8 on Tuesday. It was quoted around London levels at mid-session in New York.

Starting last just over a cent to \$1.639 and fell one penny to DM2.795, with the pound closing at 87.9 on the Bank of England's trade-weighted index, down 0.2 points.

The failure of yesterday's intervention highlighted the continued pressure in financial markets for an increase in Japanese interest rates and continuing concern about the sup-

posed negative effects on the Bundesbank's monetary policy of plans for currency union between East and West Germany. These factors have revived the dollar's role as a safe haven for international funds. Some monetary officials expressed concern that the dollar's resilience could undermine the credibility of central bank intervention.

Others, however, argued that it was wrong to judge the market impact of intervention on the strength of one day's results. Fed officials declined comment on current intervention tactics at a briefing in New York. However, they disclosed that the Fed spent only \$750m in the three months to January 31 to prevent the dollar rising against the yen. It

did nothing to prevent an 8.5 per cent slide in the US currency against the D-Mark which rallied strongly during that period.

The latest intervention was apparently agreed among the central banks independently of monetary officials from the leading industrial nations.

Since last Friday the Bundesbank has played a prominent role in concerted efforts to cap the dollar, despite its deep-seated scepticism about the value of intervention.

Officials said its dollar sales yesterday were a signal to the markets that it believed a fall in the D-Mark's value was not warranted by fundamentals.

Mr Stephen King, an international economist with London broker James Capel, said he believed that the Bundesbank stood a better chance of limiting the dollar's rise against the D-Mark than did the Bank of Japan against the yen.

The failure of the Japanese central bank to secure an interest rate rise in the face of opposition from the Ministry of Finance had unsettled the markets, he said.

City of London economists also argued that there were sound fundamental reasons for the yen's decline against all major currencies since late 1988.

Currents, Page 40; Markets, Section II

leading daily, said yesterday the central bank had ruled out an immediate increase in the official rate. It was still studying the impact of the last increase in December. Mr Keitoku Hasegawa, head of research at the Bank of Tokyo, said: "This is an interesting moment. The Nikkei says 'yes' and the Sankei says 'no'."

Bank officials' priority is protecting Japan against a security threat in the market, including a new wave of land price increases. The central bank believes that it contributed to the surge in land and stock prices in the late 1980s by permitting the money supply to grow quickly. It said this size downward pressure on the US dollar. Now, it believes it must squeeze the money supply, even at the cost of provoking plunges in stock prices.

The decline in the yen to ¥150 to the dollar is adding to the pressure for swift action. But bank officials said there was no automatic link between currency movements and discount rate changes.

Some central bank officials argue that the central bank should wait until the turmoil in the equity and currency markets subsides before making a decision on interest rates.

Others say delays are fueling uncertainty in the markets. The Nikkei index of leading stocks yesterday fell 428.74 points to 33,363.24.

The central bank last year raised the discount rate three times from 2.5 per cent to 4.25 per cent. However, the bond and stock market reacted only early this year, as investors were convinced that the increases in short-term rates would be temporary.

Continued on Page 23

## BROTHERS 'MISREPRESENTED BOTH ORIGINS AND WEALTH'

### Harrods inquiry accuses Fayeds of numerous lies

By Richard Waters and Ralph Atkins in London

THE Egyptian-born Fayed brothers lied repeatedly to their financial advisers, regulatory bodies and the press during their \$261m (£101m) takeover of the House of Fraser stores group, owners of the Harrods department store, in 1988, according to a damning report by UK Department of Trade and Industry inspectors published yesterday.

In one of the most outspoken reports yet published by the DTI, the three brothers, Mohamed, Ali and Salah, are accused of giving a misleading account of their wealth and family background. The claim that they had sufficient wealth to pay for the House of Fraser out of their own money is said to have been untrue.

The inspectors, Sir Henry Brooke QC and Mr Hugh Aldous, say: "The Fayeds dishonestly misrepresented their origins, their wealth, their business interests and their resources to the Secretary of State, the Office of Fair Trading, the press, the House of Fraser board and shareholders, and their own advisers."

The report describes how the Fayeds claimed to the Office of Fair Trading at the height of their bid that they were worth more than \$1bn, although two years later they revised this down to \$760m.

Even the lower figure, though, was inflated by "hope value", and the picture that had been given was "inaccurate and misleading".

The inspectors conclude that the brothers could not have bought the House of Fraser on their own, and say that it is likely that the money they used in fact belonged to the Sultan of Brunei, one of the world's richest men. Mohamed Fayed was an adviser to the Sultan and held powers of attorney from him at the time of the bid.

This allegation was denied yesterday by the Fayeds, who continued to insist that the money had been their own and that the Sultan had not been involved in any way.

The inspectors say: "The Fayeds produced to us birth certificates which were false and which they knew to be false."

"They repeatedly lied to us about their family background, their early business life and their wealth."

Family background, chronology, analysis, Page 13; Editorial Comment, Page 20; Lex, Page 23

Lonrho was already pursuing three court cases against House of Fraser, he said, and would now consider civil action to recover unspecified damages.

There were brickbats and bouquets from the two sides. Continued on Page 22



### Hardly an end to the saga

By Andrew Hill and David Lascelles in London

ANY BELIEF that the publication of the Department of Trade and Industry's House of Fraser report would finally end the five-year saga was quickly dashed.

Within minutes of the report's official publication, Mr Michael Cole, House of Fraser's media director, said: "The DTI inspectors have dishonoured themselves and the whole procedure of DTI inquiries."

Mr Mohamed Fayed, usually spokesman for the three brothers who control House of Fraser, did not attend the early morning press conference in Harrods, its flagship London store. Mr Cole said the group had been shocked by the ineptitude, extreme language, wrong-headedness and injustice of the 752-page document.

Mr Tiny Rowland, Lonrho's chief executive, who has headed the campaign against the Fayeds' takeover of House of Fraser, was also notable by his absence yesterday. He was en route to Africa on business. So, two hours after the Harrods meeting, it was Sir Edward de Cuman, Lonrho's chairman, who confirmed that the group would use the courts to "remedy the wrongs done to it."

Lonrho was already pursuing three court cases against House of Fraser, he said, and would now consider civil action to recover unspecified damages.

There were brickbats and bouquets from the two sides. Continued on Page 22

## Japanese remain divided over interest rate policy

MR Yasuichi Mieno, governor of the Bank of Japan, left Tokyo for Europe yesterday amid speculation that he was planning an increase in the official discount rate, the key short-term rate, to 5 per cent or 5.25 per cent, next week.

The Mieno Keizai Shinbun, Japan's leading business daily, yesterday reported that the central bank might raise the official rate by 0.75 to 1.0 percentage points, to 5 per cent or 5.25 per cent, next week.

Mr Mieno would start formal talks with the Ministry of Finance when he returned from Europe next week, said the newspaper.

"Many market people expect an increase in the future," said a senior Bank of Japan official who declined to say what the bank intended.

However, commentators' opinions are not unanimous: the Sankei Shinbun, another

leading daily, said yesterday the central bank had ruled out an immediate increase in the official rate. It was still studying the impact of the last increase in December. Mr Keitoku Hasegawa, head of research at the Bank of Tokyo, said: "This is an interesting moment. The Nikkei says 'yes' and the Sankei says 'no'."

Bank officials' priority is protecting Japan against a security threat in the market, including a new wave of land price increases. The central bank believes that it contributed to the surge in land and stock prices in the late 1980s by permitting the money supply to grow quickly. It said this size downward pressure on the US dollar. Now, it believes it must squeeze the money supply, even at the cost of provoking plunges in stock prices.

The decline in the yen to ¥150 to the dollar is adding to the pressure for swift action. But bank officials said there was no automatic link between currency movements and discount rate changes.

Some central bank officials argue that the central bank should wait until the turmoil in the equity and currency markets subsides before making a decision on interest rates.

Others say delays are fueling uncertainty in the markets. The Nikkei index of leading stocks yesterday fell 428.74 points to 33,363.24.

The central bank last year raised the discount rate three times from 2.5 per cent to 4.25 per cent. However, the bond and stock market reacted only early this year, as investors were convinced that the increases in short-term rates would be temporary.

Continued on Page 23

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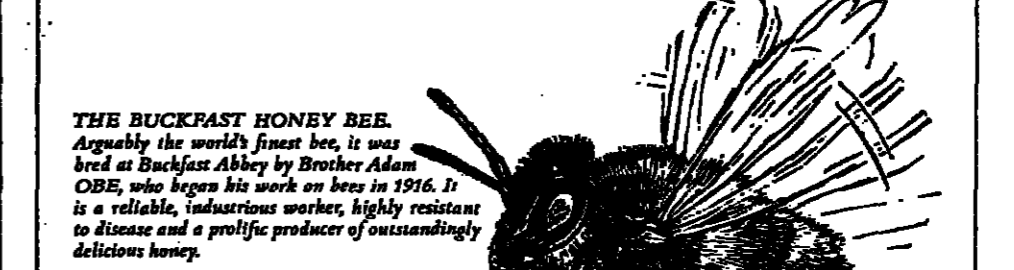
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Continued on Page 23

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## MARKETS

STERLING New York lunchtime: \$1.6375 London: \$1.6390 (1.6390) DM2.7975 (2.8075) FF6.4525 (6.4875) SF2.4700 (2.4750) ¥149.25 (149.25) S index 87.8 (88.0) GOLD New York: Comex Apr \$405.1 (406.1) London: \$400 (404.75) SSEA OIL (Argus) Brent 16-18 Apr \$19.20 (19.375) DOLLAR New York lunchtime: DM1.7087 FF5.772 SF1.50825 ¥151.275 London: DM1.7070 (1.7010) FF5.7675 (5.7600) SF1.5085 (1.4995) ¥151.25 (149.80) S index 88.3 (88.0) Tokyo close: ¥150.75 US bond futures rates Fed Funds 8.5% 3-mo Treasury bill: yield: 8.152% Long Bond: 501 yield: 8.554%	STOCK INDICES FT-SE 100: 2,230.3 (+14.3) FT Ordinary: 1,757 (+11.3) FT-A All-Share: 1,107.51 (+0.5%) New York lunchtime: DJ Ind. Av. 2,678.8 (+1.6) S&P Comp 338.02 (+0.06) Tokyo: Nikkei 33,363.24 (-428.74) LONDON MONEY 3-month interbank: closing 15% (same) Life long gbt future: June 88-2 (82.2)
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## EUROPEAN NEWS

## Industry sales fall 29% as recession bites in Poland

By Christopher Bobinski in Warsaw

POLAND'S economy remains beset by recession. In February - the second month of an IMF-approved austerity programme - industrial sales fell by 29.3 per cent, according to preliminary figures issued by the Government's Central Statistical Office (GUS).

Over the first two months of the year, sales are down 23.5 per cent compared with the same time last year. Among the hardest hit sectors, food processing saw a drop of 39.1 per cent and light industry a fall of 32.2 per cent.

Industrial wages grew by 15 per cent compared with an expected 23 per cent rise in prices in February.

The Government said last week that unemployment soared to 152,000 by the end of February from 9,500 in December.

The Government hopes to slow the fall in output by reducing prohibitive credit interest rates as inflation declines.

The National Bank has progressively cut the basic monthly interest rate from 36 per cent in January and 20 per cent in February to 10 per cent in March.

Hard currency exports in

February were double those in January. But for the first two months exports, worth \$1.1bn, were 2.8 per cent down on the same period last year. Imports at \$833m have fallen even further behind, resulting in a trade surplus that is a fifth higher than a year ago.

Coal mining unions and management meanwhile reached a new pay agreement yesterday which assumes that the industry will no longer work on Saturdays. In the past, Saturday working has provided 31m tonnes of coal a year.

Miners will receive a 40 per cent increase in their weekly earnings to make up for wages lost from Saturday working, which in the past has provided a third of miners' monthly earnings. Demand for energy is falling while coal prices are rising so consumption this year could drop 50m tonnes.

Mr Jean-Louis Servan-Schreiber's L'Expansion group is to go ahead with a joint venture with the Gazeta Bankowa, a Polish financial weekly founded 15 months ago. He will take a 51 per cent stake in the 20,000 circulation newspaper in the first major agreement of its kind in Poland.

## Oil troubles the political waters of divided Baku

Peter D. Carlin explains the economic grievance which underlies Azerbaijan's recent inter-ethnic strife

**B**LOODSHED in January handed the Soviet republic of Azerbaijan onto the world stage by making it a focal point of political opposition to the Soviet authorities. At least 180 people died in battles between Armenians and Azerbaijanis. The conflict grew out of complex ethnic problems but the politics of the region's oil industry also helps explain the historical roots of the republic's turmoil.

To say oil transformed the life of Azerbaijan understates the obvious. With the granting of oil concessions on Crown land in 1872, wealthy European entrepreneurs flooded capital into the area and transformed Baku, the republic's capital, into the world's largest oil city. In 1883 Baku was a small port town of 14,000 inhabitants. By the turn of the century immigrants had swelled the city to 206,000.

The result was a boom town. An immigrant nouveau riche emerged, distinctly separate from the growing shanty towns of unskilled local villagers seeking work.

Baku's expansion into a large industrial city stratified ethnic communities along economic lines - accentuating established differences of religion, custom and race. Fundamental ethnic antagonisms were not resolved in Baku a hundred years ago, and the

same antagonisms remain today.

The internationalisation of Baku's oil industry was also accompanied by a rapid vesting of the wealth of the region in the grasp of central government. As the industry fell under a system of government regulations and leases, competition for oil wells and associated industries out of Azerbaijani hands and into those of Russians, Armenians and Europeans. Azerbaijanis owned 99 per cent of all oil wells in 1870, but after 1872 this figure fell to 13 per cent.

The displaced Moslem bourgeoisie perceived more than a simple religious prejudice in what they viewed as a Russian-Azerbaijani conspiracy to deny them access to their indigenous economy. Their further "exemption" from the military draft in Tsarist Russia left them unmanned after the 1917 revolution.

When the Baku soviet (city council) itself continued to deny the Azerbaijanis access to assets after the revolution, a massive assault was launched at the Shamkhor station of the Baku-Tiflis railway line to intercept arms from the Russians and keep them from the Baku Soviet. Up to 1,000 Azerbaijanis died in a battle which became an emblem of their nationalism and anti-Russian feeling.



Shortly after this event, Azerbaijanis stormed garrisons at Lenkoran and Shemakha and drove the Bolsheviks out of Petrovsk. The result was described by a Russian officer named Baikov in his memoirs of the revolution in Baku. He explained that "Armenians displayed an attachment to Russia, seeing in her their only protection from physical annihilation."

In Baku, Armenian groups were closely allied with Bolsheviks and their combined forces shut-down a weak Azerbaijani resistance. The eventual consolidation of Soviet power preserved an ethnic distribution of the city whereby Russians comprised some 43 per cent of the population and Armenians 18 per cent, with the remainder Azerbaijani. The population continued along these ethnic proportions until Baku had grown to city of 800,000 by 1939.

of the Soviet Union's crude production and over 80 per cent of oil refined.

Oil output in the region has since dipped, making up 8 per cent of total production in the mid-1980s and only about 3 per cent today. Only offshore development in the Caspian Sea has prevented a total collapse of the region's oil industry.

Baku remains a production centre for oil industry equipment, but the gradual marginalisation of the area's natural resources has had political ramifications. In particular, the Azerbaijanis are bitter about what they see as a rapacious Russian-sponsored and Armenian-conducted destruction of their nation's wealth as the Soviet Union sought to counter the advent of power of the Organisation of Petroleum Exporting countries (Opec) in the 1970s.

Crude drilling and exploitation techniques by the Soviets prompted excessive waste and left an ecological scourge over the area.

Moreover, problems have also arisen from the recent merging of the oil and gas ministries, the clear-out of their management by Mr Mikhail Gorbachev, the Soviet leader, and the requirement that the oil enterprises become "self-financing" and responsible for their own profitability.

Oil equipment-making companies have apparently failed to gain any sense of independent direction and caused chronic production failures. Producers have been left without necessary supplies. This economic dislocation, in Baku as throughout the area, has been a significant factor behind the violence and acrimony of the past months.

The dispute over the mountainous enclave of Nagorno-Karabakh, over which both ethnic groups claim sovereignty, is seen as the main point of contention between Azerbaijanis and Armenians, but low-level conflict has existed in Baku for years. Mr Gorbachev has maintained that a violent minority is behind the current conflict, but the mass demonstrations in Baku do not support this view. As was the case during the Bolshevik revolution, for instance, there have been large-scale attempts by the Azerbaijanis to seize Soviet military supplies.

Baku's marginalisation has contributed much to the recent conflict in Azerbaijan, and the rapid ethnic organisation of the city more than a century ago has contemporary significance.

Peter D. Carlin is a PhD student in Middle East strategic studies at King's College, London

## Turkish journalist murdered in Istanbul

By Jim Bodgener in Ankara

**G**UNMEN yesterday shot dead Mr Cetin Emec, a widely-respected columnist and board member of Turkey's mass-circulation daily Hürriyet, in what appeared to be a highly professional killing in the city of Istanbul.

There was no immediate claim of responsibility for the killing, which was roundly condemned by leading figures across the political and social spectrum.

It raised fears of an organised campaign of destabilisation linked with the murder last month in Ankara of Mr Musman Aksoy, head of the Turkish Law Institute. A previously unknown Islamic group claimed responsibility for his death. Like Mr Aksoy, Mr Emec was widely known for his secularism in the context of Islamism, the state doctrine laid down by Mustafa Kemal Atatürk, the Turkish republic's founder.

Meanwhile an all-party pro-



Cetin Emec: widely respected

posal for the establishment of a human rights commission was submitted to the Turkish parliament yesterday for inclusion in the debating schedule. President Turgut Özal announced plans for the commission in his inaugural speech early last November.

## Hungary seeks UK help on privatisation

By Peter Montagnon, World Trade Editor

**H**UNGARY is seeking to profit from Britain's experience of privatisation by recruiting two British advisers to help it sell off its own state-owned companies.

The advisers are being sought on Budapest's behalf by the UK Overseas Development Administration to work in the Hungarian Government's State Property Agency, the privatisation body being set up with the help of \$66m in finance from the World Bank.

They will be involved in valuations, organising sales and advising on the timing and scope of privatisation, the ODA said yesterday. It is funding the positions from its £25m "know-how" fund for Hungary, launched last year.

Separately, ODA is recruiting British nationals to work in Poland's Export Development Bank, which is being created with DMS0m finance from the International Finance Corporation, the World Bank's affiliate which channels funds to the private sector.

These posts will be funded from the UK's £250m "know-how" fund for Poland.

## Soviet car piston venture for Europeans

By John Griffiths

**W**ESTERN Europe's growing involvement with the Soviet motor industry is being taken a step further with the setting up of a four-way joint venture to produce car pistons at Moscow, aimed at reaching output of 5m a year in 1992.

The western partners are UK vehicle components and materials group T & N, formerly Turner & Newall, and the Italian components concern, Fata Group SRL.

The Soviet counterparts are a government agency, V/O Autoexport, and the state-owned Kalinin piston plant in ownership at Moscow, some 600 miles south of Moscow and which supplies pistons for Lada cars.

An outline agreement for the venture was signed in November. This was about the same time as Fiat and Soviet officials were signing an agreement for a far larger joint venture to produce 300,000 new-design cars at a new facility about 1,000 miles south-east of Moscow.

The Moscow venture involves modernisation of the plant and additional production lines.

## Bulgarian poll likely to be postponed until June

By Judy Dempsey in Vienna

**B**ULGARIA'S first free parliamentary elections for more than four decades are expected to be postponed from May until June following a compromise between the ruling Communist Party and the Union of Democratic Forces, the umbrella group for the opposition parties.

The UDF had objected strongly to the May election, saying it wanted an autumn poll to have time to prepare.

Talks between the authorities and the opposition remain acrimonious. The UDF, which recently formed an electoral pact among eight opposition parties, is insisting the Communist Party disband all its workplace branches. It also wants to be consulted on all important bills before they go to the National Assembly.

So far, the UDF has failed to come up with a coherent economic and political programme. It hopes to do this and heal serious divisions in its ranks - during its first national conference tomorrow.

The Communist Party, led by Mr Alexander Lilov, who was elected party chairman in January, and Mr Andrei Lukinov, the Prime Minister, is meanwhile attempting to regain the initiative in response to a spate of anti-government demonstrations criticising the slow pace of the reforms.

Earlier this week, the National Assembly pushed through a series of radical measures which legalised strikes and permitted Bulgarians to buy and sell property without restrictions.

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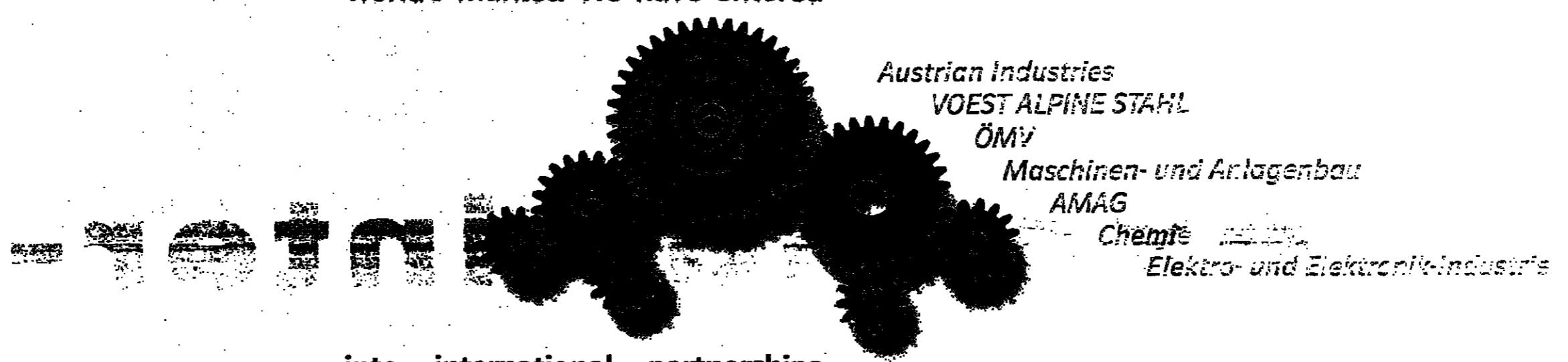
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## OVERSEAS NEWS

## Rafsanjani optimistic over release of hostages

IRAN'S President said yesterday he believed the Lebanese hostage crisis would be resolved, adding he had received indirect messages from the issue from the US, Reuters reports from Moscow.

"My feeling is that the issue of the hostages is moving towards a solution," Iran's news agency, quoted President Ali Akbar Hashemi Rafsanjani as telling a Tehran news conference.

His remarks gave edge to hopes raised by reports of efforts in recent weeks to secure the release of 17 westerners, including eight Americans and four Britons, believed to be held by Lebanese Shia Muslim extremists loyal to Iran.

Other foreigners held include: Three Iranians and their Lebanese driver seized at a Christian militia checkpoint in 1982; Three Israeli servicemen missing since 1986 and Egyptian cleric Mohammed Mahmoud el-Jar, who was seized in south Lebanon in March 1988.

Mr Rafsanjani said Iran had received messages from the US about the hostages through western politicians visiting Tehran but was not talking to Washington directly.

However, a pro-Iranian Muslim group holding two Americans captive yesterday ruled out any imminent release of hostages.

"There is not a single tendency for the release of hostages," the Revolutionary Justice Organisation (RJO) said in a statement which was sent to Beirut's independent al-Nahar newspaper.

It accompanied its statement with a black-and-white photograph of American hostage Mr Joseph James Cicippio. The group also holds American book salesman Mr Edward Austin Tracy.

An Iranian foreign exchange dealer in London told Reuters that Mr Rafsanjani's remarks helped raise the rial to 1,320 to the dollar on Wednesday from 1,340-1,350 on Tuesday.

Many buyers held out, expecting further falls in the dollar, he said.

Mr Rafsanjani said: "We have told them [Washington and London] that we will use our influence only when they mutually use their influence for the release of Iranian hostages and also reduce their mischievous acts," he said.

Nothing has been heard of some of the Western hostages since they were abducted.

Syria, Iran's only Arab ally, which is the biggest foreign influence in Lebanon, has acted as a broker in previous hostage releases.

Iran quoted Mr Hussein Mousavi, a member of the central council of Lebanon's Hizbollah (Party of God), which is widely believed to hold some of the hostages, as saying that co-operation between Iran and Syria was the key to their release.

Rafsanjani said recent statements by Lebanese cleric Sheikh Mohammed Hussein Fadlallah, spiritual leader of Hizbollah, and regional contacts had raised hopes of a release.

"The timing of statements by...Fadlallah and an article by an English daily on the release of the hostages seem to have created some hope. And they themselves have established contacts with regional governments and my feeling is that the issue of the hostages is moving towards a solution," IRNA quoted Rafsanjani as saying. He did not give any details of the contacts.

## Slower Hong Kong growth leads to tight budget

By John Elliott in Hong Kong

HONG KONG was yesterday presented with a belt-tightening budget which reflects a sharp decline in the colony's rate of growth in 1989 and a dramatic drop in the budgetary surplus from an estimated HK\$3.3bn (772m) in 1988-89 to less than HK\$1bn projected for the coming year.

These changes in an economy which was booming at an annual average rate of about 13 per cent in 1986 and 1987, have been caused by the decline in world trading conditions, as well as the past year's slowdown in China's closely-linked economy.

Last year's 2.5 per cent GDP growth compares with forecasts in last year's budget of 6 per cent. The forecast for next year is 3 per cent and longer-

trend growth rate forecasts have been trimmed from 6 per cent to 5.5 per cent.

There was no growth in domestically produced exports last year in real terms, and the growth of re-exports from countries such as China, which use Hong Kong as an entrepot, rose by only 18 per cent compared with 46 per cent a year earlier.

Export problems were compounded by an increase in the value of the Hong Kong dollar, which is linked to the US dollar, in the first half of the year.

Private consumption expenditure rose by only 3 per cent, compared with 9 per cent in 1988, while growth in investment fell from 6 per cent to about 1 per cent, with 2.5 per cent forecast for this year.

Yesterday Sir Piers Jacobs, the Financial Secretary, delivered an annual budget speech aimed at curbing unnecessary public expenditure and raising a limited amount of extra taxation, mainly from consumers and upper-income earners.

His target is to build an economy that is sound enough both to carry out airport and other infrastructure projects, estimated to cost more than HK\$130bn in the next 12 years, and to withstand uncertainties as Hong Kong approaches its return to Chinese sovereignty in 1997.

Sir Piers, who has built up a reputation for failing to predict the course of the Hong Kong economy accurately, is still resting comfortably on consolidated reserves of HK\$71bn, which amount to about 85 per cent of consoli-

dated public expenditure. But he warned yesterday that Hong Kong, whose economy is highly susceptible to factors outside its control, in China and elsewhere, could no longer "take surpluses for granted."

The current financial year's surplus of HK\$9.3bn (on expenditure of HK\$73.1bn and revenue of HK\$82.4bn) compares with an earlier estimate of HK\$11.5bn.

Increases in public spending of around 26 per cent in nominal terms (about 10 per cent in real terms) proposed for the coming year would have turned this surplus into a deficit of HK\$2.4bn, after substantial transfers to reserve funds, if Sir Piers had not introduced taxation increases.

The tax changes are the biggest that Sir Piers considers socially and

politically acceptable, even though they leave him with a surplus of only HK\$720m, which is considerably smaller than his forecasting errors in recent years.

Duties are being raised by 30 per cent on petrol and diesel, 10 per cent on all liquors and alcohol, and 25 per cent on tobacco, and there are also increases in car and betting taxes. Rates, business, bank and deposit-taking licence and registration fees and other charges are also being raised.

Sir Piers has also been forced by a mixture of public opposition and apathy to shelve indefinitely plans he devised three years ago for introducing a sales tax. Instead he has begun to move from direct to indirect taxation.

## Israel avoids making peace talks decision

By Hugh Carnegie in Jerusalem

ISRAEL'S chronically divided Government yesterday backed off making a definitive response to US proposals on starting Israeli-Palestinian peace talks. Cabinet discussion of the issue was adjourned until Sunday.

Despite strong pressure from Washington for a decision, the tensions both between and within the Likud and Labour coalition partners again prevented either agreement on terms for the talks or final disagreement leading to the break-up of their 15-month government.

Both sides continued to signal, however, that a resolution one way or the other was drawing closer. Labour ministers, who had originally set yesterday as a deadline, said they would recommend that the party pull out of the coalition if the talks with the Palestinians were not agreed on Sunday. Mr Yitzhak Shamir, the Likud Prime Minister, said a decision would be taken then.

The parties are at odds over the pace of the talks and subsequent elections of Palestinians from Jerusalem and, to a lesser extent, those deported from the Occupied Territories. The US has proposed the inclusion of both to satisfy minimum Palestinian Liberation Organisation demands. Labour agrees to such a formula, but Likud has balked, seeing it as tantamount to PLO involvement and a threat to Israeli control of Jerusalem.

These positions have been clear for weeks. But Shamir's anxiety to preserve the Government, and thus his supremacy in the Likud, and Labour's nervousness about its electoral prospects have sustained the search for a compro-

mise.

Mr Shimon Peres, the Labour leader, underscored both his impatience and his party's largely unspoken willingness to allow the PLO a backroom role in any talks when he attacked Likud yesterday for pretending the organisation was not involved. "Don't they know the Americans are in touch with the PLO? Don't they know Egypt is in contact with the PLO? Don't they know what has happened up to now?" he said on Israel Radio.

Hundreds of Palestinian women on Wednesday briefly took over offices of the International Committee of the Red Cross (ICRC) in the occupied territories to demand protection from Israeli repression, Palestinians said.

On the eve of International Women's Day, the women held the offices in the West Bank and in Gaza. Khan Yunis and Rafah in the Gaza Strip, the Palestinians said.

In Nabulus, 300 women handed Red Cross representatives a request for international help to protect Palestinians in the occupied territories.

"We call on the international community to provide protection to our people against daily Israeli repression," they said.

Palestinians said Israeli and border police fired plastic-coated bullets and teargas at 250 women after they emerged from the Red Cross office in Gaza City carrying placards demanding Israeli withdrawal from the territories, where Arabs have been in revolt since December 1987.

The Israeli army said it was checking the report. The leadership of the uprising had called for demonstrations to mark Women's Day.

## Afghan plotters 'in control of air base'

By Robin Pauley, Asia Editor

TROOPS loyal to General Shanawaz Tani, the Defence Minister who led a coup attempt on Tuesday, were last night reported to be in control of Afghanistan's largest air base at Bagram, north of Kabul. Kabul was under curfew.

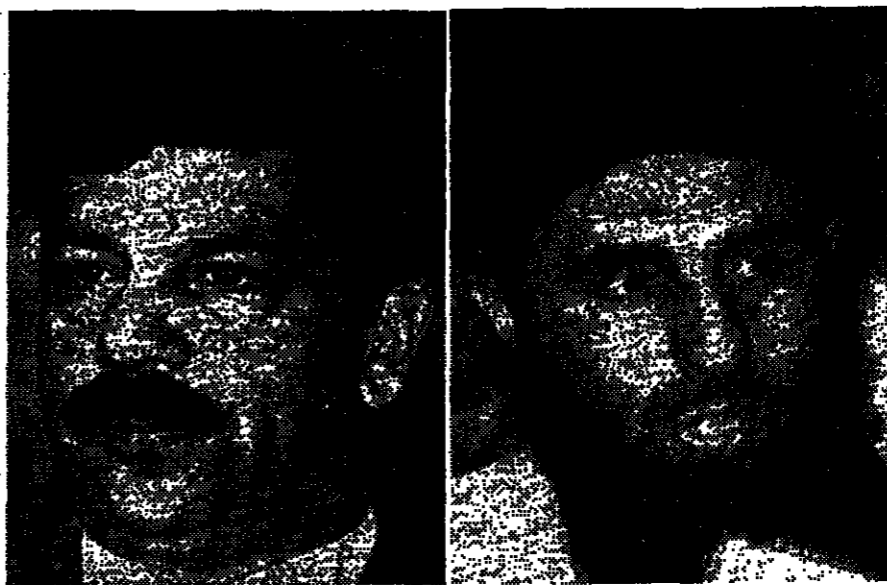
Fighting continued in the capital as it became clear that Tuesday's attempted coup was far from over. One unsubstantiated report said President Najibullah had left Kabul and fighting appeared to be spreading to other cities.

Government officials acknowledged that fighting between rival military factions was continuing, contradicting President Najibullah's earlier claim that the coup attempt had been crushed. The heavy fighting in Kabul included further aerial attacks and shelling.

The coup attempt appears to have been a strong challenge to President Najibullah and the Parchami wing of his People's Democratic Party of Afghanistan by the Khalqi wing which is a minority faction in the government. The Khalqi wing has strong support in the army and air force.

There were new reports yesterday of fighting between rival factions in the southern city of Kandahar and the north-western city of Herat. This would be a serious challenge to the government's wide spilt in the army and every major city except Jalalabad under fire.

Afghan mujahideen leaders, based in Pakistan, claimed yesterday that three senior Afghan generals flew a transport plane to the Pakistan border and surrendered to the mujahideen. The most helicopters and fighter planes had landed



Coup leader Shanawaz Tani (left) and guerrilla leader Gulbuddin Hekmatyar

at towns along the border.

Radio Kabul yesterday accused a second high-ranking party member, Asadullah Sarwari, a former interior minister, of involvement in the coup plot. He is also a member of the Khalqi faction but it is not clear whether he was a plotter.

Gulbuddin Hekmatyar, the most extreme of the fundamentalist Muslim

rebel leaders based in Pakistan, offered his support to General Tani within hours of Tuesday's coup attempt. This appears to have been opportunism as Hekmatyar and Tani have no goals in common other than the removal of President Najibullah. Tani wants a Khalqi-dominated administration; Hekmatyar wants a fundamentalist Islamic state.

## Cambodia's warring factions face Thai threat

By Roger Matthews in Bangkok

THAILAND is seeking to put pressure on the warring factions in Cambodia by threatening to repatriate some of the 200,000 refugees in the 10 United Nations-supplied camps on its border and by asking the Arab League to halt any further arms supplies.

The Thai Cabinet, disappointed by the lack of progress at last week's peace talks in Indonesia, has ordered a plan to be drawn up which would

offer the Khmer refugees the option of returning to Cambodia or of moving to a neutral camp, outside the control of the guerrilla factions.

With fighting close to the Thai border between government troops and the guerrillas, it seems unlikely that Thailand would force the refugees back into the war zone.

Until now Thailand had subscribed to the policy of the Association of South-east

Asian Nations (Asean) which only allowed for repatriation in the wake of a comprehensive Cambodian peace settlement.

The Khmer Rouge and the two non-communist guerrilla groups headed by Prince Norodom Sihanouk, the former head of state, and Mr Son Sann, a former Prime Minister, each exercise political control in the different camps and use them as a recruiting ground for their respective armies. If

the Thais carried out their threat to establish neutral camps it could rob the factions of their main source of new manpower.

General Chhatichal Choon-haven, the Prime Minister, also said that he had asked the four main suppliers of arms to Phnom Penh and to the anti-government forces - China, the Soviet Union, France and the US - to halt any further deliveries.

## Protests rock second homeland

By John Elliott in Johannesburg

POLITICAL violence rocked a second South African black homeland yesterday as anti-apartheid demonstrators shot dead seven people, Reuters reports from Mafikeng.

Security forces opened fire to disperse up to 50,000 anti-apartheid protesters in Bophuthatse, a township in "Orange Free State" (now part of the Orange Free State province), a gambling complex and one of the least stable of the 10 homelands set up for blacks under apartheid.

Crowds, apparently inspired by a weekend coup in the release of Ciskei which ended the 18-year rule of President Lennox Sebe, set fire to factories, government offices and cars in Mafikeng and Garankuwa, an eastern part of the fragmented Transvaal province.

There was no official word on casualties. Stone-throwing

demonstrators built barricades of burning tyres and fought running battles with troops on armoured personnel carriers after marching against the government. Businesses, schools and offices closed.

Taking their cue from Sunday's military takeover in Ciskei, bordering the Indian Ocean, Bophuthatse demonstrators accused President Lucas Mangope of being a corrupt puppet of Pretoria and demanded his resignation.

The crowds called for the reincorporation of the homeland's 2m people into South Africa. Mangope has vowed he will "never in 100 years" agree to step down or abolish the territory. An attempted coup against him was crushed in hours by South African troops in 1988.

The 10 territories, home for 16m of South Africa's 27m

black population, were set up forcibly for blacks under Pretoria's vision of separate development.

They are heavily subsidised by the Pretoria Government.

About 3,000 workers at Rustenburg Platinum, the world's biggest platinum mine, situated in and around Bophuthatse, staged a one-day strike on Monday over high income taxes.

South Africa's National Union of Mineworkers said the strikers demanded union recognition and said: "The homelands were created as a reservoir of cheap black labour to feed the white economy."

Ciskei's new rulers said they want to reunite with South Africa in line with the policies of Mr Nelson Mandela's African National Congress (ANC), the main organisation fighting white rule.

## New Zealand's Telecom sale row

By Terry Hall in Wellington

NEW ZEALAND'S Labour Party MP is meeting today, apparently to discuss the possible privatisation of Telecom, amid signs that the Cabinet is close to, or has already reached, agreement on the sale.

The sale of the profitable state asset is shaping up to be highly controversial, with former Prime Minister David Lange leading a group of backbenchers opposed to a rushed sale "unless it can be demonstrated to the public's satisfaction that the taxpayer will be better off."

However, the Cabinet, which has swung to the right since his departure, seems keen to sell the asset before June 30 because of a large deficit, which could be as high as NZ\$33m (\$1.8m).

The Prime Minister, Mr Geoffrey Palmer, and the re-habilitated State-Owned Enterprises Minister Richard Prebble have both emphasised that no final decision has been made.

However, Mr Prebble and the Minister of Finance Mr David Caygill have both made speeches this week arguing that Telecom should be sold.

The Cabinet faces considerable public opposition over the sale, including from within the Labour Party, following an undertaking it gave that its consultative committee would be involved in the decision. It has not been.

Mr Prebble has said that the Government might retain a golden share to ensure that the new owner does not impose and add charges for domestic calls.

In 1987, Labour gave an assurance in its election manifesto that Telecom would remain in public ownership.

Telecom is highly profitable. Profits for the six months to September 30 were NZ\$120.8m, of which the Government took NZ\$28m in dividends.

Tax and debt repayments to the Government lifted Telecom's total contribution to the public purse in the period to NZ\$406m, with a return on shareholders' funds of 12.3 per cent.

## Mandela peace mission faces formidable task in Natal

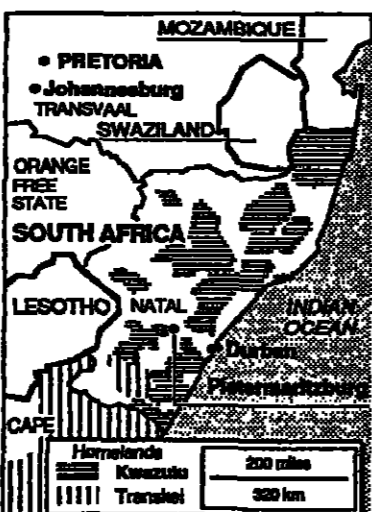
Patti Waldmeir examines the obstacles to the ANC leader's hopes of uniting South Africa's blacks

MR Nelson Mandela, the acknowledged leader of the African National Congress, has set himself the task of making peace between the peoples of South Africa.

Eventually, that will mean striking a deal between white and black. But for the moment, there is a more urgent peace to be made: between warring black communities in Natal, where 3,000 people have died in the past four years.

In the cramped and terrorised black townships which surround the cities of Durban and Pietermaritzburg, residents believe Mr Mandela's release from 27 years in prison could make peace possible. His first words to the people of Natal, delivered at a rally in Durban 10 days ago, were: "Close down the death factories. Take your guns, your knives, and your pangas [machetes], and throw them into the sea." His message was directed at 60,000 of his own supporters who attended the rally, and many thousands who do not support the ANC, but listened to the speech on the radio.

He went out of his way to mollify Chief Mangosuthu Buthelezi, the Chief Minister of Natal, a black homeland and leader of the Inkatha movement, whose members clash almost daily in Natal's townships with supporters of the ANC and its



affiliated organisations, the United Democratic Front (UDF) and the Congress of South African Trade Unions (Cosatu).

Standing by the roadside, in the grey drizzle which is a feature of the Natal hills, taxi driver Mr Anthony Shange says he believes Mr Mandela and the violence. "In five or six months' time, things will come right," he says confidently. Since he crosses battle lines daily

on his way to and from Pietermaritzburg, Mr Shange has an obvious commercial interest in peace. But he insists this is not mere wishful thinking: both sides will obey Mr Mandela, and the fighting will stop, he firmly believes.

Already there are tentative signs, in at least a few communities, of peace-making initiatives at the grass roots. On the dividing line between Durban's largest black township, Umhlangeni, and its satellite squatter settlement last week, leaders from two warring factions met to negotiate a truce after four people had died in the aftermath of Mr Mandela's rally.

The delegation from the squatter camp was led by women: in apparent recognition of Mr Mandela's call to the women of Natal to engineer peace between their menfolk.

But local academics, journalists, and community leaders, who have chronicled the relentless increase in violence since 1987, question whether Mr Mandela's intervention has not come too late.

They disagree on the origins of the violence. Some say the causes are socio-economic, the result of poverty, overcrowding and youth unemployment. Others say politics determined the original battle lines.

Inkatha's efforts at forced recruitment alienated some communities, it is argued. In established townships,

where the residents were better educated and often more radical, the UDF and Cosatu found many adherents in the mid-1980s; while in squatter settlements for those who had recently left rural areas, the more traditional Inkatha movement, which relied on a network of tribal chiefs, found it easy to dominate.

However strong the political rationale behind the initial battles, most of those involved now agree that the violence has gone well beyond politics - and may no longer be susceptible to purely political solutions.

The vast majority of township dwellers know little and care less about politics: asked why they support the UDF - known as the "comrades" - or Inkatha, few can outline the basic policies of either organisation.

The fact that Inkatha opposes sanctions, and the UDF supports them, or that Inkatha stands for free enterprise, and the UDF for socialism, seems to matter little.

In many cases, the divisions are more geographic than political: if a hard core from either group takes refuge in a particular area, the entire area is labelled Inkatha or UDF, regardless of the sympathies of the majority.

After four years of fighting, in which scarcely a family has been left untouched, revenge gives the violence a momentum of its own. "A

Zulu believes, 'a tooth for a tooth'," says Mr John Mkhize, who helped broker a peace deal at Shongweni, outside Pietermaritzburg, which has held for the past six months. "But if you kill two members of my family, I must kill more than two of yours. That's why the violence goes on and on and on."

Criminals have capitalised on the atmosphere of lawlessness. The UDF and UDF supporters accuse the police - especially the forces from KwaZulu, which administers many of the townships - of intervening on the side of Inkatha.

They also allege KwaZulu government involvement, pointing to the fact that KwaZulu's deputy minister of the interior, Mr Samuel Japile, is currently jailed in connection with an investigation into four counts of murder. And they believe Chief Buthelezi could have done much more to stop the slaughter.

With so many different forces pushing communities towards violence, and the police either unable or unwilling to stop it, it seems a long shot that peace can be made in Natal by the leaders of the ANC and Inkatha alone. But unless Mr Mandela and Chief Buthelezi do agree to shake hands, residents fear the townships of Natal could degenerate into Beirut-style barbarism.

Clearly, Mr Mandela sets a high

priority on achieving a deal with Chief Buthelezi. In marked contrast to the virility with which the exiled leaders of the ANC refer to the Inkatha leader, Mr Mandela has gone out of his way to be conciliatory. While most of the ANC still condemns Chief Buthelezi as a collaborator (because of his position as a homeland leader), Mr Mandela has praised Buthelezi for "making it difficult for the regime to implement successive schemes to perpetrate minority rule."

And Mr Mandela, himself a prince of the ruling Thembu clan in the Transkei homeland, has been careful not to denigrate traditional tribal authority.

But Chief Buthelezi seems likely to exact a high price for peace. He wants a place at the table where South Africa's post-apartheid constitution will be negotiated - as a national leader, on the side of the liberation movements, not as a Zulu chief with a limited regional base.

Mr Mandela has made clear he is committed to black unity - and that means unity with Inkatha, probably the most powerful movement apart from the ANC itself. But it is hard to believe that he intends to share equal power with Chief Buthelezi; and it is difficult to know whether the latter will settle for anything less.

## Delhi may question arms deal suspects

By K. K. Sharma in New Delhi

INDIA'S Central Bureau of Investigation (CBI) plans to interrogate all six people named in a preliminary chargesheet filed recently on alleged pay-offs made in connection with the purchase of West German HDW submarines in 1981.

Mr S.K. Bhattacharya, who is a former secretary in the Ministry of Defence and is one of those named in the CBI's first information report, has already been questioned on charges connected with pay-offs in an arms deal with Bofors, the Swedish arms contractor. He will be questioned again soon about the Howaldtswerke-Deutsche-Werft contract.

Mr Bhattacharya and other officials named in the allegations have refused to comment on the CBI move. Mr G.P. Hinduja, an Indian businessman resident in London, is also named in both the Bofors and HDW charge sheets. CBI sources said yesterday ways are being found to ensure that Mr Hinduja is interrogated in both cases.

Mr Hinduja has said he is innocent of the Bofors charges. He said in London yesterday that he also took strong exception to "this unwarranted accusation" involving the HDW submarine contract.

"I have consistently denied any involvement in the contract and I repeat this. In July 1987 HDW confirmed in a letter to the Government of India that there was no link between the Hinduja and the sale by HDW of submarines to the Government of India."

Mr Hinduja said that in April 1988 the then government of Mr Rajiv Gandhi told parliament an exhaustive investigation by the CBI had failed to produce evidence to link the Hinduja family to the HDW submarine contract.

The initial inquiries were ordered by Mr V.P. Singh, now Prime Minister and then Mr Gandhi's Defence Minister.

In 1981 India ordered two ready-built Type 1500 submarines from HDW, and two in kit form for construction near Bombay by the end of this year. At the end of 1985 India started discussions on an option to buy two more. The Indian Government received a report early in 1987 from the West German Government that HDW might have problems cutting its tender prices because of 7 per cent commissions payable to its agents. Employment of agents is banned in Indian defence contracts.

## Sikh violence leaves 20 dead

AT least 20 people were killed and 30 others injured when Sikh militants fired on a crowd at a marketplace in the Punjab town of Jhokhar yesterday, police said. Reuters reports from Amritsar. The attackers also exploded two bombs in the busy market as people fled in panic, police added.

"Some may have also died in the bomb blasts but we have to ascertain facts," Deputy Police Inspector General Ajit Singh told Reuters. Amritsar is 145 miles southwest of Delhi.

Yesterday's killings were the first large-scale attack for several months by Sikh militants fighting for a separate homeland they call Khalistan.

The Press Trust of India (PTI) news agency said the militants also exploded a bomb in a power station, disrupting the electricity supply to the town, and that this had hampered police work.

PTI said the gunmen arrived at the marketplace in a jeep and opened fire with AK47 assault rifles for at least 15 minutes before escaping.

More than 350 people have been killed in the militant campaign so far this year. Last year about 2,000 people died.

## Gabon teachers resume work

Teachers at Gabon's university in Libreville resumed classes yesterday after a week-long strike for higher pay, one of a series of recent work stoppages that have hit the country, Reuters reports from Libreville.

Various groups in Gabon have staged strikes to protest against the economic hardship caused by years of austerity imposed by the International Monetary Fund.

In January students at the Omar Bongo university overlooking the seaside capital clashed with security forces, sparking off a wave of labour and pro-democracy protests in this one-party state.

Meanwhile workers at Libreville's Sheraton hotel remained on strike to press for an immediate pay rise and to demand that five expatriate holding senior management posts be replaced by nationals.

The government-owned hotel which is managed by the international hotel group operated with a skeleton staff after a manager was injured during a brawl with strikers.

THURSDAY MARCH 11

## Delhi may question arms deal suspects

By K. K. Sharma  
NEW DELHI

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## OVERSEAS NEWS

## Qatar's divers rediscover the natural pearl

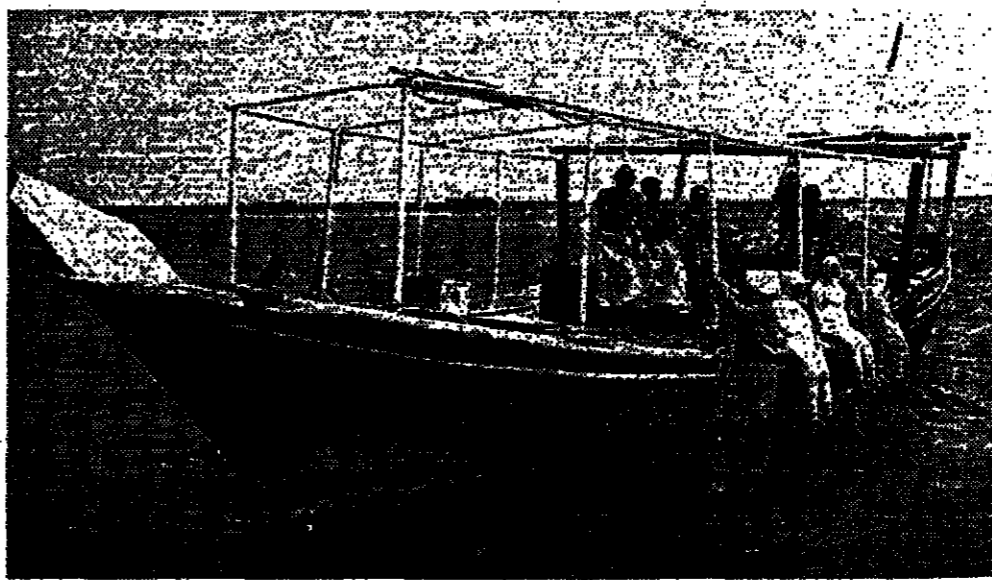
Victor Mallet in Doha looks at the resurgence of an ancient and arduous industry

At the turn of the century almost all the inhabitants of Qatar were dependent on the pearl industry, in the same way that they are now dependent on crude oil and natural gas. Each summer the men would sail away into the warm waters of the Gulf with the pearl fishing fleet.

Harvesting pearls was an arduous task: the divers would sink to the oyster beds with the help of stone weights, nose clips, and cotton suits to protect them from jellyfish - and they returned exhausted to rejoin their families several months later.

By the 1930s the industry had been destroyed by the international economic depression and the advent of cheaper cultured pearls from Japan. Today the natural pearl is staging a comeback, according to Mr. Hussain Alfaridan. As one of the world's leading buyers and sellers of natural pearls, he has watched prices rising inexorably from his headquarters in the Qatari capital Doha. Purchasers looking for the real thing are hunting a limited pool of pearls which is replenished by only a trickle of new supplies.

"People recognise what is the meaning of the natural pearl," he says, displaying a magnificent \$1.5m Alfaridan necklace of the finest rose-



Pearl divers off the coast of Doha are enjoying the fruits of a comeback in the industry

hued natural pearls, and finger several million more dollars worth of loose pearls spilling from the traditional red cotton bags onto his office desk. "The natural will last for ever like any precious stone; the cultured has a limited age."

The best natural pearls, he adds, come from the Gulf. They come in all shapes and sizes, each with its own classification in the jargon of the pearl trade. Even the rare black pearls are

highly prized. A natural pearl, around a grain of sand, may take a decade to grow to a size it would take a typical cultured pearl - with the help of a large artificial implant in the oyster - only a couple of years.

Mr. Alfaridan and his brother Hassan established their jewelry business in 1954, using the expertise inherited from their father Mr. Ibrahim Hassan Alfaridan, a pearl trader who died at the age of more than 100. These days new natural

pearls are hard to find - although a handful are sold by divers from Kuwait and the United Arab Emirates - and Mr. Alfaridan acquires the international auction markets in London, Paris, New York and India to supply the family's jewelry shops around the Gulf.

"Anywhere it's available we buy it," he says. "Every year the price goes up because demand is too much and there's a shortage in the market."

In the Gulf and in India pearls are traditionally measured in terms of the "chau" (one carat is 0.6518 chau, but if that sounds simple, two carats are equivalent to 2.6074 chau), and over the past two decades prices have risen steadily. A "giwan", the finest grade of pearl in shape, colour and sheen, was once worth a maximum of 100 Qatari riyals per chau, but now reaches QR 2,000 per chau.

The price rises prompted the Alfaridans to look into the idea of establishing their own pearl-fishing company, but they decided that the cost was prohibitive. "Now there's a few individuals and fishermen enjoying themselves," says Mr. Alfaridan, "and sometimes they get a good pearl and get good money."

Mr. Alfaridan thinks he knows a good natural pearl when he sees one, but is not above having them tested in the laboratories of the Gemological Institute of America to acquire the necessary certificate for valuation.

As Chairman of the family business group has other interests in the Gulf but the pearls he learnt about at his father's knee remain close to his heart.

"From the moment I opened my eyes I started knowing about pearls," he says. "This is one part of my business, but it's my personal favourite."

## Lebanese insurers battle on through war and destruction

By Lara Marlowe in Beirut

TO THE OUTSIDER, the idea of selling insurance in Lebanon would sound like madness. Yet after 15 years of war, more than 100,000 deaths and billions of dollars of damage, at least 70 insurance companies are still operating in Beirut and they are making profits.

Through the civil war, Lebanese insurers have learned to minimise their own risk by refusing to cover most effects of the war.

Political risk insurance is not available. Many clients have cancelled burglary and fire coverage because burglars use grenades to break in and most fires are started by shrapnel - circumstances which multiply contracts. The prevalence of car theft in Lebanon has pushed premiums so high that few people buy it. Kidnap insurance never caught on because of the number of exclusions and lack of volume.

But marine insurance is a steady earner, sales of life insurance increase 20 to 30 per cent each year and personal accident insurance - especially with the "passive war" rider - is doubling annually.

In Beirut, one militia is even said to have obtained "active war" insurance on the London market for its combatants. Passive war insurance covers the insured as long as he does not carry a gun. Underwriters say they reap a profit from the marginal increase on the basic premium.

Although nearly 1,000 Lebanese died during bombardments in 1988, Arab Universal Insurance and Reinsurance Company, part of the Mediterranean Investors Group, suffered only three war casualties from 25,000 insured last year.

Twenty-seven maritime companies still deliver goods to Lebanese ports. Because insurance is required to open letters of credit, the marine insurance market is stable, although clients often under-insure.

Ships are insured while at sea, but coverage ceases upon arrival in port. As last year's naval blockade showed, the chances of hitting a moving vessel are low. Nine crew members died in the worst of several maritime incidents, which cost the insurers of the "Sum-shield" oil tanker \$1m.

"We even got Lloyd's to quote on marine war risk during Gen. Michel Aoun's 'war of liberation' against the Syrians," said Mr. Ramez Abu Haidar, the assistant general manager of Astra Insurance.

"At 4 per cent of the sum insured, it was expensive - compared to a normal rate of 1 per cent or lower. Some of the local companies were offering marine insurance for one third of Lloyd's prices."

"If you take marine risk for the big established companies it's a good business," said Mr. Marek Sinno, the Lebanese underwriter for Alpha Zurich and the manager of Income Insurance Company for the Middle East.

"But the one-shot importers try to save money on packaging and shipping. They're hit-and-run artists."

"There is an incredible amount of insurance fraud. This is our main plague," Mr. Abu Haidar said.

"We don't do hull insurance because of moral hazard. People don't maintain their ships or they buy ships that are scrapyard quality, beach them during the night, unload the cargo and their claim for

the ship and the cargo." Fraud is a problem throughout the Lebanese industry. When the holder of a life insurance policy with a war exclusion clause dies, his beneficiaries often try to prove that he died of natural causes rather than war wounds. "In certain instances we detect fraud," said a leading Lebanese life insurer. "But sometimes it is so well documented that you have to pay, even though you sense something rotten."

Because it is easier to fake claims for out-patient care by bribing doctors or pharmacists, most Lebanese companies offer only in-hospital medical coverage.

Another problem is the tendency for clients to "share" their medical insurance identification cards. "We are very selective and can afford to be," said an executive at Arab Universal, one of the top 10 insurance companies in Lebanon. "The most important criteria are the person's integrity and reputation."

The director of the last American insurance company in Lebanon who requested anonymity for his company retains 57 per cent of the Lebanese life insurance market.

It provides group life and medical plans for banks, embassies, airlines and industries. "To attract and keep good employees, they have to offer these benefits," he said. The increase in the cost of medical services in Lebanon and the paralysis of the government social security system has led many more companies to seek group coverage for their employees.

"Smaller local companies give lower rates and are very liberal in accepting any kind of risk," the director of the American company said. "Later they increase their rates and start making exclusions. It's a very competitive market, especially in medical and hospital insurance. There are certain companies willing to take any risk to get the premium."

Well-established companies have been able to carry their own reinsurance or have had little difficulty obtaining it in London. The Association of Lebanese Insurance Companies established an insurance pool through Lloyd's to assist members who could not obtain reinsurance on their own.

The move from Lebanese pounds to dollars in the Lebanese market has also helped to alleviate reinsurers' fears of dealing in an unstable currency. Lebanese underwriters are now stealing themselves a new round of claims from the latest inter-Christian battles. Nonetheless, they are optimistic.

They say that 80 per cent of the Lebanese insurance market is untapped. The municipal and stamp taxes on premiums - paid by the client - are low compared to taxation in other countries. The lapse ratio of Lebanese insurance policies - 15 to 20 per cent for life insurance - is the lowest in the region.

Some Lebanese underwriters even claim they are better off than their colleagues in Europe or America. "We don't have catastrophes like the San Francisco earthquake, Hurricane Hugo, oil spills or the storms in France and the United Kingdom this winter," Mr. Sinno said. "The war took us by surprise in the beginning, but we have adapted."

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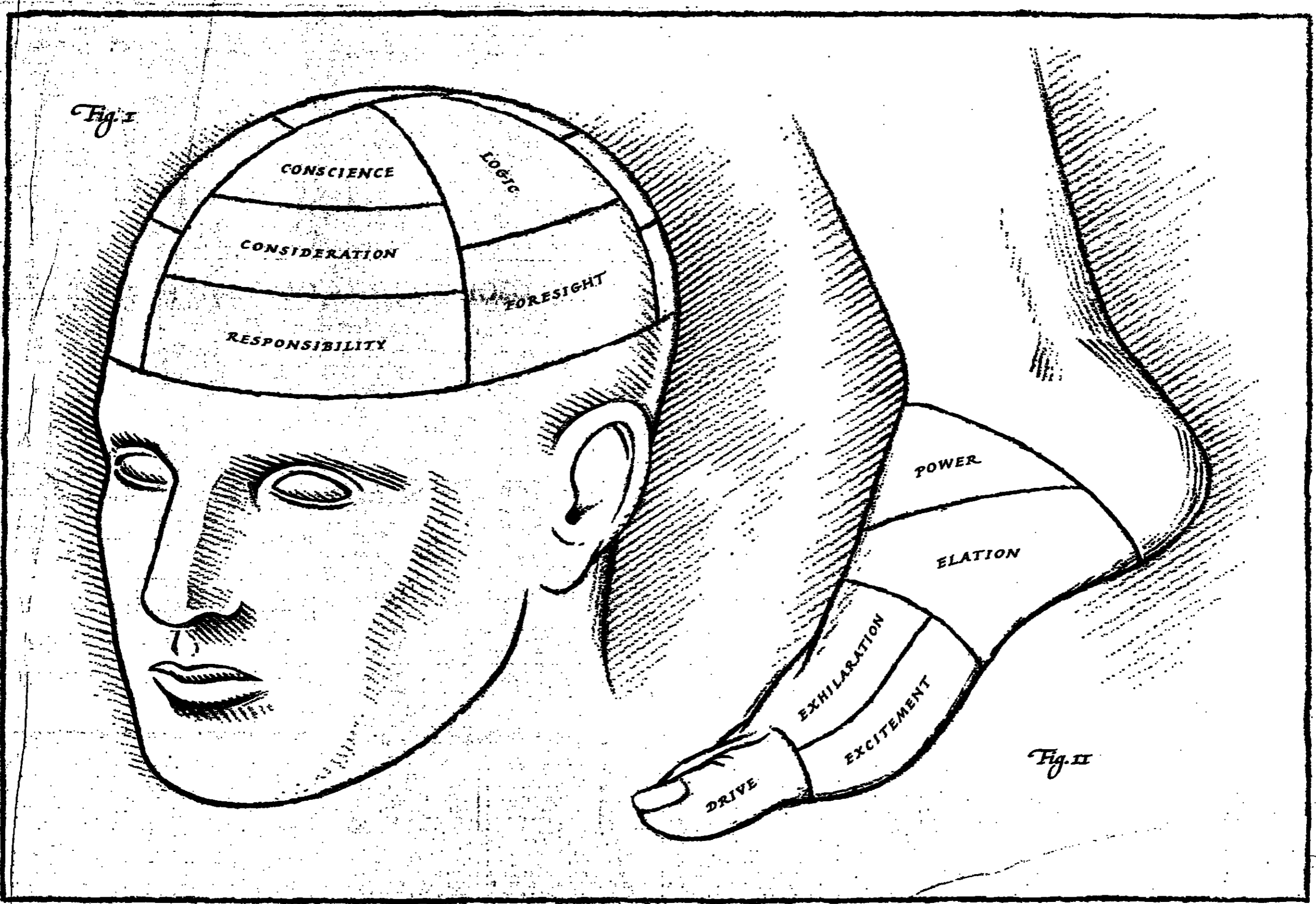
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## WORLD TRADE NEWS

## Gulf states criticise EC for failing to sign trade deal

By Hunter Reynolds in Bahrain

THE EUROPEAN Community has come under strong attack from the Gulf Co-operation Council (GCC) over its unwillingness to sign a free trade agreement. Addressing a banking conference in Bahrain, Mr Abdullah Yacoub Bishara, Secretary General of the GCC, said: "There is a general sentiment in Europe against an agreement with the GCC. For us it is a sine qua non."

The GCC, established in 1981, is made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United

## Arab Emirates.

The comments are likely to raise the temperature at the EC-GCC foreign ministers' summit scheduled for March 17 in Moscow. The meeting will be the highest contact ever held between the two economic groups.

The GCC is looking for an end to quotas and tariffs on petrochemicals and aluminium produced in Gulf states, in particular Saudi Arabia, and to reduce its \$4.4bn trade deficit with the EC.

In December, European foreign

ministers agreed on a mandate for the Commission to negotiate a free trade agreement with the GCC. The mandate included a long transition period before the complete elimination of trade barriers. Mr Bishara said the limitations of the mandate were an unacceptable basis for talks.

"We will put our views to the European ministers very forcibly," Mr Bishara said. A recent meeting in Spain attended by European and GCC businessmen as well as officials from both the EC and GCC served to

highlight the differences between the two groups. "We did not see eye to eye," he GCC Secretary General said. "As a result of the talks, I am not optimistic about the prospects for a free trade pact."

He denied claims by European industrialists that cheap energy inputs mean that Gulf petrochemicals are effectively subsidised.

European governments are insisting that the Gulf states unify their own internal tariffs before an agreement is put into effect. During a

recent visit to the Gulf, British Trade Minister Lord Trevarthen, said it made no sense to have a free trade accord until a customs union was in place in the Gulf. Import tariffs range from 4 per cent in the UAE to 10 per cent in Oman.

Mr Bishara said work was under way on a GCC common market, but predicted that it would not be in place at least until 1995. The GCC wants to sign an agreement with the Community before then.

Investments from oil-rich Gulf

states surged in the 12-nation European Community (EC), at the expense of placements in the United States, a senior Gulf Cooperation Council (GCC) official said on Wednesday. Reuter reports from Abu Dhabi.

Abdullah al-Quraysh, GCC Assistant Secretary General for Economic Affairs, told an insurance conference in Abu Dhabi that total overseas Gulf investments grew to \$42 billion in 1988 from \$36 billion in 1987 despite a slump in oil prices.

## Honda says no obstacles remain to EC exports

HONDA MOTORS Europe said yesterday that nothing was stopping European carmakers selling their products in Japan, but duties and quotas were impeding Japanese sales in Europe. Reuter reports from Geneva.

"There are no obstacles (on European side) to Japan," Mr Osumi, president of the Japanese group's European subsidiary, said on the eve of the 60th Geneva International Show.

"We have to pay 10 per cent import duty to export from Japan to the EC, while into Japan it is zero," Mr Osumi said.

Europeans have complained in the past that, although the Japanese market for cars was theoretically free, there were other hidden bureaucratic, legal and cultural barriers. Mr Osumi maintained these impediments no longer existed.

"Much paperwork on imports (into Japan) has been eliminated. The legal requirements from the government on imports are even less than required for some countries in Europe," he said.

Honda said earlier that its NS-X luxury three litre V-6 sports car will go on sale in the US and Japan this autumn with European sales starting this year. About 3,000 of the powerful two-seaters, which are capable of speeds of up to 250 km an hour, will be produced initially each year.

Mr Osumi, who is also a member of the Honda Motor Co board in Tokyo, had been asked for reaction to news from Brussels earlier this week that some EC members wanted tight restrictions on Japanese car sales in Europe to continue when the bloc's single market is completed at the end of 1992.

A wide range of duties on Japanese car sales at present apply among the 12 community members. France and Italy restrict them to 3 per cent and one per cent of their markets respectively, while Britain has a ceiling of about 1 per cent. Sales are freely allowed in West Germany.

In Europe as a whole Japan accounts for 10.3 per cent of sales which hit a record 13.4 million vehicles last year.

In 1989, foreign car imports in Japan accounted for 45 per cent of a market which totalled just over four million.

## \$2.2bn order for Pratt and Whitney

By Paul Betts, Aerospace Correspondent

SINGAPORE Airlines (SIA) has chosen US Pratt and Whitney jet engines to power its new long-range fleet of Boeing 747 and McDonnell Douglas MD-11 aircraft, dashing Rolls-Royce's hopes of winning the \$2.2bn (£1.3bn) deal.

SIA confirmed yesterday it had placed the order for 294 engines with Pratt and Whitney, the engine subsidiary of United Technologies, after what it called an exhaustive four-month evaluation of engine options.

Pratt and Whitney was widely regarded as the favourite to win the order because the airline's existing jetliner fleet is powered by Pratt and Whitney engines. But both General Electric of the US and Rolls-Royce felt they had a chance when SIA decided to hold back on its engine order in announcing its purchase of Boeing 747 and MD-11 jets.

The aircraft order involved 30 Boeing 747-400 and 20 MD-11 airliners worth a total of \$8.6bn. The deal involved 15 firm orders and 15 options for the Boeing 747 together with five firm orders and 15 options for the MD-11 for delivery between 1994 and 1999.

The engine order won by Pratt and Whitney yesterday covers 153 engines, including spares, for the Boeing 747 four-engine airliner and 82 engines, including spares, for the MD-11 tri-jet. SIA chose the PW 4000 engine for the Boeing 747 and the PW 4650 for the MD-11. The airline said that after taking account of all financial and technical factors, it decided that the Pratt and Whitney engine "had the edge".

## Colombia takes the long view in opening up markets

Bogotá has been persuaded that liberalisation will generate quicker growth, reports Sarita Kendall

ALTHOUGH Colombia has decided to open up its economy, it has been slow to adopt trade liberalisation policies and will be even slower in implementing them. Gradualism is the concept underlying the five-year strategy designed to make products competitive, to boost exports and raise economic growth.

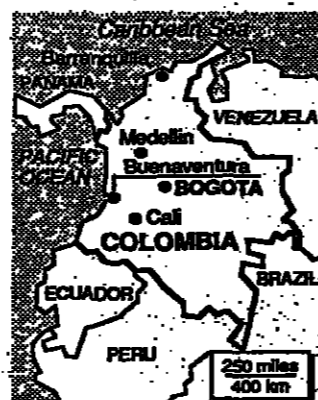
In fact, the first measures - announced by the full economic team with considerable fanfare - are so mild that their impact may be more symbolic than substantial. Licences for the import of mainly raw materials and capital goods, transferred to the unrestricted category last week, were already receiving automatic approval.

Certain consumer goods which compete with domestic production may now be brought in - but by setting the ceiling for these imports at

\$150m (\$91m) the Government is seen by many as being too timid.

The World Bank has been pressing Colombia to follow the Latin American trend towards liberalisation for some time. Last year, the programme was shelved and President Virgilio Barco has chosen a cautious moment - two weeks before the first round of elections and less than six months from the end of his Government - to give the go-ahead. But there are World Bank loans to be finalised, then further roll-over credits to be negotiated with the commercial banks. The IMF's endorsement will be needed.

Economic policy is remarkably conservative and stable in Colombia, with the central bank playing an important role. None of the candidates with a serious chance at the presidency has rejected liberalisation and none is offering an



alternative model. By the time the new government takes over a business lobby will be ready to defend free imports. During the next two years, according to the plan, tariffs will gradually take over the regulation of imports. A novel bidding system will be used to

establish the tariff rate for the first \$150m, with importers making offers on the basis of the price they think Colombians will pay. As industry exports account for only about 35 per cent of foreign income, As protection is removed and industry becomes more productive, with the capacity to sell abroad, non-traditional exports should grow by some 20 per cent a year.

Apart from a brief experiment in trade liberalisation 10 years ago - which contributed to a recession - Colombia has been strongly protectionist. The change in attitude is largely due to the depressing outlook painted by economic forecasters. Unless Colombia opens up, they say, economic growth will stay at around 3 per cent and inflation will rise. Low coffee prices combined with poor non-traditional export growth and the drop in service income from drug dol-

lars, will send the current account deficit rocketing up.

On the other hand, the new strategy will generate growth rates above 5 per cent a year. Consumers will benefit as inefficiency and monopolistic pricing are quashed by competition. International reserves will drop at first but recover after 1992. Imports, worth \$4.7bn last year, will rise to \$6.1bn in 1992, and exports will go from \$5.9bn to \$8.1bn in the same period.

A main practical worry on the import side is how well the Foreign Trade Institute (Instituto) and customs will adapt to changes. The institute's red tape is already being attacked but customs are notoriously corrupt and contraband leaks in across all the frontiers. Future governments will also have to consider reforming Colombia's rigid exchange control system if the country's economy is really to open up.

## Factoring services grow by 22% in 1989

By Peter Montagnon, World Trade Editor

THE VALUE of world exports financed through the international factoring market topped the \$40bn (\$25bn) mark for the first time last year after growing by 22 per cent on its 1988 total, according to Factors Chain International (FCI), the industry's leading umbrella organisation.

International turnover reached \$10.8bn, more than double its level of 1985, FCI said in its annual market survey. Factoring now accounts for 5.7 per cent of worldwide turnover compared with 5.5 per cent in 1988.

Factoring is a specialised service under which manufacturers assign their invoices for cash to specialised companies known as factors. These collect the money.

The discount charged to the manufacturer covers the cost of collection, credit risk, and sometimes credit. The service is particularly popular with small and medium-sized companies, because it frees them of administrative burdens and improves their cash flow.

According to Mr Jeroen Kohnstamm, FCI Secretary General, Asia was one of the

fastest growing areas for factoring last year, with particularly strong growth in Taiwan and South Korea. This is likely to spread to Indonesia, where banks were permitted to offer factoring last year.

Italy, with a total domestic and international turnover of \$51.8bn, has overtaken the US, traditionally the world's largest factoring market. US turnover last year was \$46.7bn.

Mr Kohnstamm said the 1992 single market was likely to boost the attraction of factoring in Europe as more companies began to trade interna-

tionally, but more factors were entering the market, adding to competition.

Growth in eastern Europe, by contrast, was expected to remain slow for some years given economic uncertainty. Factoring is firmly established only in Hungary and Czechoslovakia, but the liberalisation process, which has confused foreign trade responsibilities on individual enterprises, had prompted some concerns in East Germany and Poland to start financing their exports through direct contracts with western factors.

## French companies to build Iraqi smelter

By George Graham in Paris

IRAQ has awarded the management contract for the construction of an \$800m (\$488m) aluminium smelter to Spie Batignolles, the French construction group, and Sofresid, the metallurgical engineering company.

The two French companies have received a letter of intent from the Iraqi industry ministry and the contract is expected to be signed this month. Work on the smelter, at Nasiriyah on the southern

Euphrates, is due to begin by December.

The aluminium smelting technology is to be supplied by Pechiney, the French state-owned aluminium and packaging group. The smelter will be similar to one Spie Batignolles and Sofresid are building for Pechiney at Dunkirk in northern France. Pechiney technology is considered a front runner for aluminium smelter projects in Venezuela, Indonesia and Australia.

France and Italy restrict them to 3 per cent and one per cent of their markets respectively, while Britain has a ceiling of about 1 per cent.

In 1989, foreign car imports in Japan accounted for 45 per cent of a market which totalled just over four million.

## AMERICAN NEWS

## White House accuses Libya of making chemical arms

By Peter Riddell, US Editor in Washington

THE US yesterday accused Libya of producing chemical weapons and appealed for international action to help stop the operation.

A strongly-worded White House statement was issued following an ABC television report that the plant at Rabta, 50 miles south of Tripoli, the Libyan capital, had begun producing mustard gas in a position to assemble small bombs that could carry the weapons to targets.

Jana, the Libyan news agency, quoted a foreign ministry official in Tripoli as denying that the Rabta plant was producing chemical weapons. The official regretted the "deceptive campaign by western and American media against Libya especially as it had called for frank and balanced dialogue with the US under its new administration."

US concern about the potential for producing chemical weapons at the plant was first expressed two years ago, and was reinforced in early 1989 following disclosures about the involvement of a West German company, putting great strain on relations between Washington and Bonn.

Yesterday the White House said that "available evidence suggests Rabta is producing chemical weapons. We are very

seriously concerned about this development. Rabta is dangerous and becoming more so. This points to the necessity for heightened international vigilance of Libyan procurement activities and for vigorous efforts to stop the operation of Rabta."

The US, he said, had expressed its serious concern to various governments. "The international community should step up its efforts to deny Libya the ability to continue operating the plant."

Mr Martin Fitzwater, the White House spokesman, urged all countries to "survive their internal situation, their chemical production facilities and to make their own judgments that they are not a source for any of these chemicals."

The US intends to press ahead with discussions with European allies and others in the coming days, urging all countries to "survive their internal situation, their chemical production facilities and to make their own judgments that they are not a source for any of these chemicals."

The controversial plant was not fully operational and only produced batches of gas occasionally, the sources said.

both of how it might choose to use these weapons in view of "a history of terrorist activities and extreme military behaviour" and of to whom it might give or sell them.

The US and the Soviet Union are nearing agreement on a ban on chemical weapons and on the destruction of virtually all existing stockpiles.

The main points of a treaty are expected to be agreed by the time Mr Mikhail Gorbachev, the Soviet leader, visits Washington in three months time. A major concern on the US side has been how to prevent other countries such as Libya from producing such weapons.

● The Rabta factory has produced 30 to 50 tonnes of poison mustard gas, West German security sources told Reuters yesterday.

The Rabta plant, built with West German help to make pharmaceuticals, had produced mustard gas since operations began in mid-1989, West German sources said.

The gas was devastating weapon in World War One, outlawed from warfare in a 1925 Geneva convention. But the pact did not ban its production or possession.

The controversial plant was not fully operational and only produced batches of gas occasionally, the sources said.

## Bush support for relaxing anti-trust legislation

By Peter Riddell, US Editor in Washington

The Bush Administration will support long-discussed proposals to relax anti-trust laws limiting joint production ventures, especially in advanced technology.

The decision, announced yesterday by President George Bush in a speech to the American Electronics Association, follows a review conducted by the Justice Department and is in response to calls by the Commerce Department and several industrial groups to allow such joint projects in face of Japanese and other foreign competition.

Mr Bush said that "to provide a further competitive edge for American firms we will support legislation to reduce the anti-trust uncertainty that may discourage joint production ventures."

Under the plan, the courts would "weigh on a case-by-case basis the competitive benefits, as well as the costs of joint production ventures. In addition, joint production ventures announced to the government would be liable only for actual damages in private anti-trust suits, (rather than triple damages, as at present)."

This long-awaited move is in line with the thinking of Mr James Kill, the assistant attorney-general for anti-trust policy, who has sought to defend the basic structure of US anti-trust law, allowing only a specific exception in the case of joint production ventures.

At present, the relaxation on joint ventures only covers research and development.

Mr Bush said such an initiative "would build on the competitive strength of American business by allowing firms to pool their skills, build new production facilities and share investment risks."

The proposal already has widespread bipartisan support in Congress.

Referring to his talks last weekend in California with Mr Toshiki Kaifu, the Japanese Prime Minister, Mr Bush also said he "fervently" hoped as a result that Japan would be "moving toward early resolution of these problems areas (satellites and telecommunications, supercomputers, forest products and semiconductors)."

## Collor and the Congress of Doom

Ivo Dawanay examines a prospective clash over Brazil's economy

IF, as the Brazilian press has decided, President-elect Fernando Collor de Mello is a "troika" member of the film hero Indiana Jones, then one need look no further than the Brazilian Congress to find the Temple of Doom.

It is there that the battle over inflation must be fought, against hordes of politicians, business and representing highly partial vested interests.

The 40-year-old karate black belt is to take office next week and expectation has risen feverishly. Even if the movie world of heroes and villains appears to the president as an inadequate metaphor for the country's complex economic crisis, it appears to a nation whose cartoonists have long depicted inflation as a dragon.

With price rises expanding at proportions not far off 100 per cent a month, one can be sure that Mr Collor will use similar imagery to depict the drama that lies ahead.

Since his warm reception last month on a world tour of nine capitals, the scheduled 15th January inauguration in December has sharply raised his popularity at home. A poll published last week showed that 43 per cent of the 30m or so electors who voted for his left-wing opponent, Mr Luis Inacio Lula da Silva, now "trust" the president-to-be, 37 per cent going so far as to expect him to deliver a good or very good government.

His strategy, they claim, will be to swamp Congress under a tidal wave of temporary "provisional" legislation, containing many measures certain to be deeply unpopular. These will include wage reductions in subsidies and in tax incentives for business, wide-ranging privatisation proposals, trade liberalisation measures

and mass dismissals of civil servants.

To the chafe, Mr Collor will almost certainly improve some social provision for the poor and order the arrest of at least one leading political or business figure to underline his corruption-fighting, man-of-the-people credentials.

All this will be presented via a national television address as a vigorous young president's full-scale war on Brazil's privileged elites.

Congress will then be forced to react. Its natural instincts will be to resist through the legislative paper maelstrom to separate the palatable from the distasteful.

But, under provisional measure rules, it has only a month to decide on each item lest it fall. So Mr Collor will be hoping to polarise the Congress into pro-government and opposition camps, insisting that his popular mandate demands

endorsement of the whole package.

Congressional elections are due on October 3, a date politicians must guard. If they pick, they risk being blamed if a trimmed plan fails. If they support the package, they must cross their fingers and hope it will work.

"Economists are unanimous that if Mr Collor truly confronts the main source of inflation, a public sector deficit estimated at more than \$2bn - he will confront many of the most powerful and organised forces in society."

Privatisation and job losses in the civil service will provoke a fierce reaction in the capital itself, while business and farming interests will howl at the loss of fiscal privileges and subsidies, and at efforts to liberalise imports.

Also, at the heart of his programme is believed to lie the presumption of achieving a "social pact" of wages and agreeing a de-inflation on prices via some kind of deflator applied to the real inflation rate. Such measures have been repeatedly attempted - though without great conviction - by previous governments, and have failed.

Just as much if the impetus behind the rising inflation rate is psychological, a psychology of the defeat of inflationary expectations, the analysts say. The general perception is all.

## Call to ease telecoms restrictions

By Roderick Oram in New York

TELECOMMUNICATIONS capabilities in the US will be severely impaired unless regulation of the Bell operating companies spun off from AT&T in 1984 is eased, Mr Alfred Sikes, chairman of the Federal Communications Commission, told Congress yesterday.

Continuing restrictions on the Bell companies will, he said, create geographic disparities and service option inequities. Mr Sikes said. These in turn could harm the US economy and its global competitiveness.

Mr Sikes gave his support, with some caveats, to proposed legislation to change certain provisions of the AT&T consent decree on which the spin-off and subsequent court rulings are based.

Control of this crucial area of telecommunications policy should be returned to Congress and its relevant agency, the FCC said.

The Bell companies must "have the opportunity to become communications companies, not simply telephone companies. If we do not follow this course, we will both chill investment, create geographic disparities and service option inequities," Mr Sikes said.

"All American phone subscribers deserve maximum access to the fruits of advanced communications and computer technology," he said.

Now, for example, users of the public switched networks are deprived of many information services offered on private

networks or by unregulated companies. He cited the example of the city of Rochester, New York, which is served by a local independent telephone company.

In its own market it has no less power than a regulated regional Bell company has in its market, yet it can offer a wide variety of services, such as an electronic Yellow Pages.

Moreover, foreign unregulated competitors are coming into the US information market. Mr Sikes said, for example, that Nippon Telegraph and Telephone recently announced a \$100m venture aimed at US data communications, corporate networks and related markets. None of the Bell companies would be allowed to compete against it.

## Argentine Central Bank chief quits

By Gary Mead in Buenos Aires

MR ENRIQUE FOLETTI, Argentine Central Bank governor, yesterday handed his resignation to Mr Antonio Erman Gonzalez, Economy Minister, the latter announced after a meeting with President Carlos Menem.

The minister said the resignation was being considered.

If it is accepted, that would mean that Mr Menem's Peronist Government had lost four Central Bank governors in eight months of office. Mr Foletti took the post on January 24, following the hasty departure of Mr Rodolfo Rossi, who had pledged not to expand money supply, then did so within days of taking office.

Mr Foletti came under attack this week for having authorised re-discounts to pri-

vate banks, amounting to an officially declared 134.7m austral (385.4m) on February 21, in 30 separate operations.

The system of re-discounts (short-term loans to the private banking sector), has met much criticism from the World Bank and the International Monetary Fund, which regard it as a bolster for otherwise insolvent banks. It is reported that the re-discounts were granted at a monthly interest rate of 45 per cent, when the open market rate was above 110 per cent.

The re-discounts in question were clearly used to bale out private sector banks.

The row comes at a particularly inopportune time for the Government, which is trying to re-open blocked loans from the IMF and World Bank.

● The Economy Minister has authorised substantial price rises for a wide range of public sector companies.

Petrol prices have risen by 124.5 per cent, making a total increase of 5,850 per cent since July 1989, when the Government took office. Plans are in hand for weekly increases, in line with price rises throughout the economy.

Water charges are to rise by almost 50 per cent, the addition to be levied retroactively from November 1989. Obras Sanitarias de la Nación, the state-run water company, has already put its prices up this year, by 87 per cent on February 8.

Telephone charges were raised by 112 per cent on that date, and are now set to rise by 300 per cent more.

## Manley backed in local elections

By Canute James in Kingston

JAMAICAN voters have given the administration of Mr Michael Manley good marks for its first year in office.

In municipal elections on Tuesday, the prime minister's social democratic People's National Party won control of 12 of the island's 13 local councils. The PNP received 6 per cent of the vote, the rest going to the opposition conservative Jamaica Labour Party.

Campaigning focused more on recent economic measures than the Jamaican dollar, higher interest rates and ceilings on bank credit which on local government issues.

Handwritten text in Arabic script: "الله اعلم" (Allah knows)

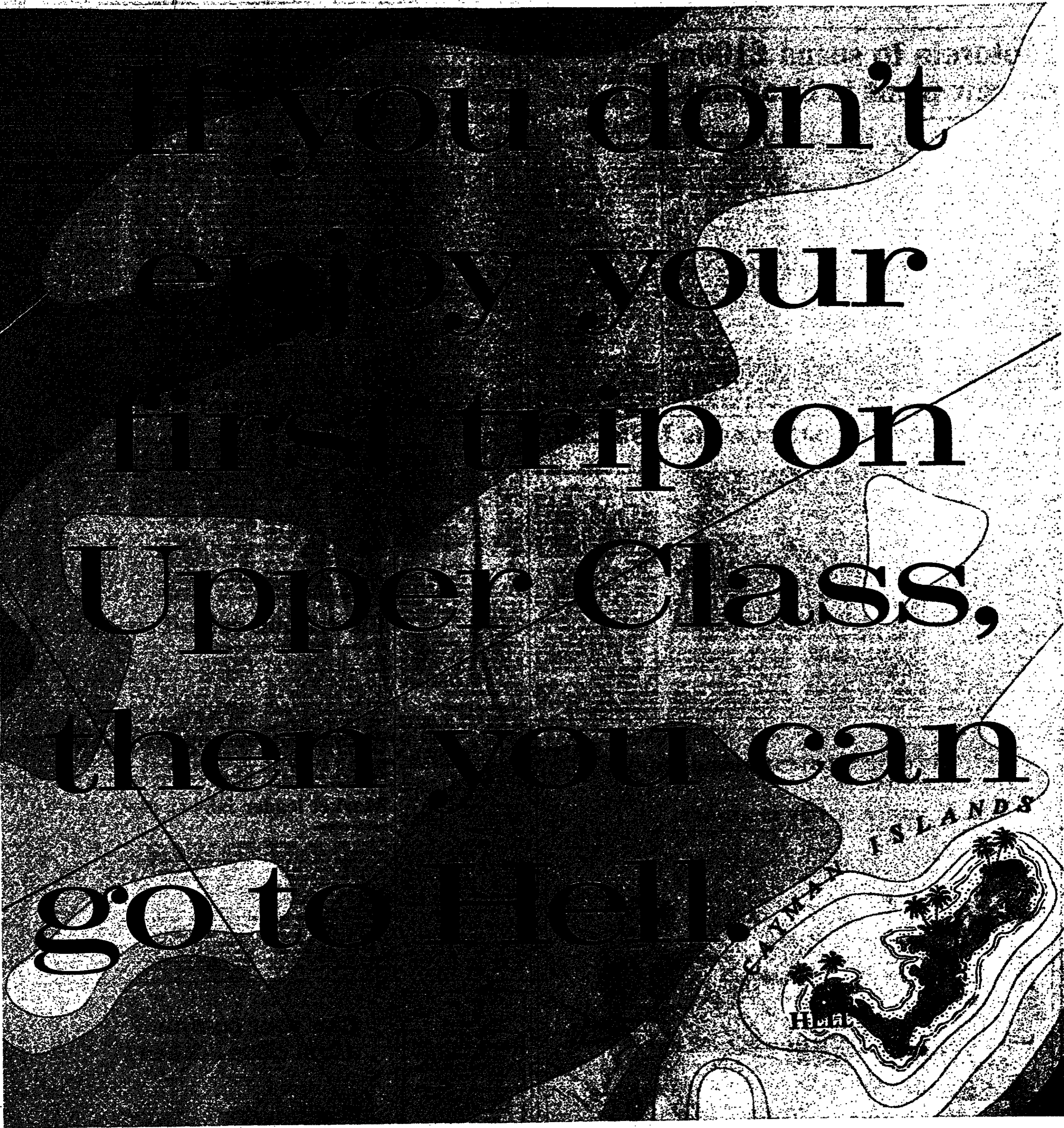
THURSDAY MARCH 8 1990

Honda no obstacle remain to EC export


THE MOTOR industry is expected to see a significant increase in exports to the European Community (EC) this year. This is due to a combination of factors, including a strong performance in the Japanese market and a growing demand for Honda's products in the EC. The company's new models, which are designed to meet the stringent emissions and safety standards of the EC, are expected to be a major factor in this growth. Honda's sales in the EC have risen steadily over the past few years, and this trend is expected to continue. The company's commitment to quality and innovation is seen as a key to its success in the competitive European market.

Door to economy

Manley in local elections

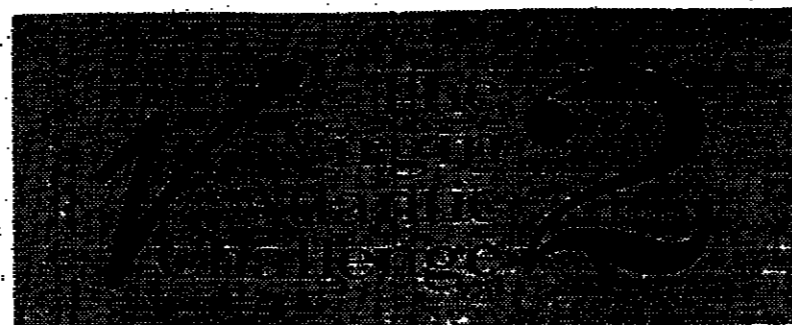


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## UK NEWS

# Motorola to spend £100m on new plant in Scotland

By Hugo Dixon and James Buxton

MOTOROLA, the US communications and electronics group, is to spend more than £100m in Scotland setting up a large factory to make mobile phones.

The factory at Easter Inch, West Lothian, which is eventually to employ 2,000 people, will be Motorola's main plant for selling cellular phones to the European market. The US group is the world's leading manufacturer of cellular equipment - a market which is growing at more than 20 per cent a year worldwide.

The project was to have been announced by Mrs Margaret Thatcher, the prime minister, during a visit to Scotland tomorrow as an example of how the Scottish economy is proving successful in attracting inward investment.

The plant is the second large inward investment project to be won by Scotland this week. On Monday, Concor Peripherals, a Californian computer disc-drive maker, unveiled a scheme to create up to 1,500 jobs in Irvine. The possible creation of more than 3,000 jobs

makes up for disappointment in Scotland over some recent inward investment projects which went to Ireland or other parts of Britain.

Mr Don Burns, general manager of Motorola's European subscriber equipment division, said the company had acquired a 91-acre site at Easter Inch.

He added that more than 50 per cent of the components for the new West Lothian factory would be made in Europe and that, in the long run, he hoped the proportion would be 100 per cent. He also held out the prospect that some of the group's research and development on cellular phones would eventually be done in Scotland.

Motorola already has factories in Stotfold and in Flensburg, West Germany, making mobile phones. One of the reasons the company has chosen to locate so much of its European cellular manufacturing in the UK is that the mobile communications market has grown much faster in Britain than in most other European countries. Mr Burns expects 10m Britons to

have mobile phones by the end of the century, up from just under 1m today.

Manufacturing would start later this year on a temporary facility and the main factory would be completed next year. "We will be recruiting like mad," Mr Burns said.

He said the decision to locate in Scotland had been made because of the availability of a satisfactory site and satisfactory people. Moreover, the Scottish Development Agency had provided a "very aggressive, attractive package, including training grants and help with finding the site."

Mr Burns said the 650 jobs in the Stotfold factory were secure because it was concentrating on analogue equipment while the West Lothian plant would be making digital phones for the pan-European cellular network and for Britain's new personal communications networks.

Cellular infrastructure will be made at another new Motorola plant near Swindon, while software is being developed at a centre in Cork, Ireland.

## MP admits he failed to declare interests

By Alison Smith

MR John Browne, the Conservative MP facing suspension from parliament after failing to declare all his business interests, yesterday apologised to the House of Commons, but said that his errors had arisen from "misunderstandings" of the rules on disclosure.

In a statement to MPs, Mr Browne said: "I now recognise that some seven to eight years ago I failed to register properly all my interests."

A Commons committee recommended that the House should take action against Mr Browne for failing to declare a payment of more than £20,000 from the Saudi central bank and a "client" relationship with a firm of Lebanese middlemen.

It was the first debate on the conduct of an MP in business matters, since 1977 when Mr Reginald Maudling and Mr Albert Roberts were found to have been involved in financial misconduct.

## NEWS IN BRIEF

### Institutions criticise 'inadequate' transport

Britain's international economic standing will be put at risk unless the Government tackles the inadequacies of the national transport system, Mr Cecil Parkinson, the Transport Secretary, was told yesterday.

A group of leading institutions led by The British Property Federation and the Corporation of the City of London combined to press the Government for a more energetic and integrated approach to transport policy.

The moves reflect mounting worries about congestion, especially in London and south-east England.

### US company move

J.I. CASE, the US construction and farm machinery maker, is closing its factory in Redruth, Cornwall, and transferring production to Spain and North America.

The Redruth plant, built in 1981, last year made 2,800 skid-steer loaders, a small construction machine, as well as components for backhoe loaders, another type of earth mover.

### Visitors to UK

Record numbers of overseas visitors came to Britain last year helped by a surge in tourists from western Europe and the Far East, including Japan, according to figures released yesterday by the Department of Employment.

Some 17.2m visitors came to Britain last year, a rise of 9 per cent on 1988. These visitors spent £11.9bn, an increase of 28.5% on the £9.2bn they did the previous year.

### Oil employment

The number of people employed in oil-related work in Scotland is at its highest level since 1982, according to a survey by the Training Agency. That compares with the 1985 peak of 65,000 such workers.

There were 61,500 people working in companies wholly or partially engaged in oil-related work at the end of 1989, according to a survey by the Training Agency. That compares with the 1985 peak of 65,000 such workers.

### Japanese property

Kumagai Gumi, the Japanese property and construction group, has expanded its London portfolio with the purchase of Victoria House, a 47,000 square foot office block on Kingsway in central London for about £22m.

The sector was Prudential Insurance group which has been reorganising its £4bn property portfolio and last month sold £70m of shops to Marvale Moore, a British property company.

### Sheffield United sold

Sheffield United, one of Britain's oldest football clubs, is to change hands. The club announced yesterday that the majority stake held by the chairman, Reg Breasley, is to be bought by Mr Sam Hesham, an Iraqi-born businessman.

### Advertising deal

Dewa Rogerson, the financial communications group, yesterday won the £15m advertising account for the Trustee Savings Bank.

## Demonstrations against new charge lead to arrests around UK

### Politicians clash after violence erupts in meetings on poll tax

By Ralph Atkins and Richard Evans

VIOLENT protests continued yesterday against the introduction of the poll tax - the community charge designed to pay for local government and services - and led to angry clashes between Ministers and Labour Party leaders.

Conservative and opposition leaders condemned scenes of violence and political intimidation over the last few days as undemocratic, but both sides sought to gain political advantage from the incidents.

More anti-poll tax protests erupted during the day, despite increased vigilance by police to prevent disruption of council meetings called to confirm the community charge level.

Police made at least eight arrests as protesters disrupted a meeting of Labour-controlled

Southampton City Council called to fix a poll tax of £317. Police evicted 100 people from the public gallery. Outside, scores of demonstrators tried to battle their way past police reinforcements.

In Plymouth, 10 arrests were made during a protest as the poll tax was set at £350. Dr David Owen, SDP leader and MP for the local Devonport constituency, was squirted with water as 300 protesters yelled "scab" and "traitor."

Mr Kenneth Baker, Conservative Party chairman, claimed the violence and intimidation was orchestrated by the far-left Militant Tendency.

In a letter to Mr Neil Kinnock, opposition leader, Mr Baker said the protesters' actions were being encouraged

by Labour backbenchers. "What are you going to do to bring your own MPs to book?" he asked the Labour leader.

The Government is having to ride a storm of protest against the new system in Westminster and around the country. Andries have been exacerbated by the threat of losing the by-election in Mid-Staffordshire where the party had a majority of 14,664 at the last election.

Mr Jack Cunningham, Labour's campaign co-ordinator, described the Conservative chairman's letter as an act of "desperation". He said that if people disliked the poll tax they should make the Tories pay - in Mid-Staffordshire or at the May local elections. He called Mr Baker "a man in total panic".

## MOTOR INDUSTRY

### Michelin 'reduced competition' with takeover of National Tyre

By John Griffiths

THE £140m takeover of National Tyre Services, a 430-outlet tyre distribution chain, by Michelin Tyre, the UK subsidiary of the French tyre maker, reduced competition in the replacement truck tyre sector, according to Britain's Monopolies and Mergers Commission (MMC) reported that the takeover could have been expected to operate against the public interest according to the report.

It concluded there were no adverse implications for the much larger replacement car tyre sector, but its findings have been mainly overtaken by events. Michelin, which bought NTS from BTR, the British industrial conglomerate, last June is to sell NTS on to Uniroyal English Tyres, a subsidiary of the French tyre maker, reduced competition in the replacement truck tyre sector, according to Britain's Monopolies and Mergers Commission (MMC) reported that the takeover could have been expected to operate against the public interest according to the report.

Michelin Tyre, the wholly-owned UK subsidiary of the French tyre maker, already owned the 540-outlet Associated Tyre Services chain.

The two networks thus provided Michelin with a combined presence in the UK replacement tyre market some four times greater than any of its rival tyre makers. The next biggest chain, Goodyear Tyre and Rubber's Tyre Services, has around 250 outlets.

The original referral to the MMC was made because of the expanded presence NTS gave Michelin in the UK's £1bn replacement tyre market.

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## Electricians call off strike at Ford

By Michael Smith, Labour Correspondent

THE EETPU electricians' union yesterday called off a three-week official strike at Ford Motor Company in the UK, in a move which ends more than four months of disputes surrounding the vehicle maker's pay negotiations.

The surprise decision of the EETPU leadership followed a vote among members of the EETPU and AEU engineering union at the company's Halewood plant in north west England to return to work.

have been among the most adamant in their opposition to the pay deal. However, their hand was weakened this week when the company re-opened the plant without them after a seven-week closure.

The official EETPU strike, together with unofficial stoppages at plants throughout the country since the beginning of November, has resulted in Ford losing production of more than 80,000 vehicles with a showroom value of more than £900m.

The company has warned that the disruption will inevitably affect its US parent's attitude to investing in the UK.

The closure at Halewood led to the lay-off of 4,000 workers at the company's Transit plants in Southampton and Kent, Belgium.

## Market leader fails to reach targets

By John Griffiths

FORD UK, the British subsidiary of the US motor manufacturer, achieved a market share far short of its target of 30 per cent in February for the second month in a row, according to figures from the Society of Motor Manufacturers and Traders.

Its 24.75 per cent share bought the year-to-date figure to 23.55 per cent, compared with 27.15 in the same period of last year, as it came under increasing pressure from Vauxhall, the General Motors subsidiary, as well as suffering from the industrial relations problems which briefly halted output a few weeks ago.

Nissan, the Japanese manufacturer, also encountered severe problems, its February share falling to 3.76 per cent from 7.11 last February, putting it below Renault of France, while its share for the year to date at 4.27 per cent was more than a percentage point below last year, despite manufacturing at Sunderland, north east England.

Vauxhall's new Cavalier was the UK's single best-selling car for the second month in a row, helping to provide Vauxhall with a year-to-date share of 17.24 per cent - compared with 14.90 per cent for the same period last year.

For the first time in many months, the Rover Group owned by British Aerospace saw an increase in its market share, as supplies of the new 214/216 range increased to give it sixth place in the list of best-selling cars.

## British hovercraft patent costs US\$6.1m

By David Fishlock, Science Editor

THE US Pentagon has paid the British Technology Group \$6.1m in an out-of-court settlement of claims on a 30-year-old British patent on the hovercraft.

The settlement resolves a legal battle begun by BTG in 1985, when the patent was close to expiring, and has cost the agency about \$1.25m in legal expenses.

A jubilant Mr Ian Harvey, BTG chief executive, said yesterday he believed it was the last major hurdle that had been blocking privatisation of BTG.

It is the last of four major actions initiated for foreign infringement of BTG patents to be settled in the agency's favour.

BTG claims to be the world's biggest agency holding intellectual property rights, with a demonstrated reputation for robust defence of infringement.

The claim related to a 1959 patent granted to Mr Denis



UK patent transformed the hovercraft into a useful vehicle

Bliss, an engineer with Hovercraft Development Ltd (HDL), a BTG subsidiary.

The Bliss patent transformed the hovercraft concept as invented by Sir Christopher Cockerell into a useful transport vehicle, by proposing a

skirt design that would keep it suspended on a cushion of air even when the sea or terrain was very rough.

The Bliss segmented skirt comprises numerous air pockets that maintain a pressurised air cushion even when a rough

surface allows some pockets to leak.

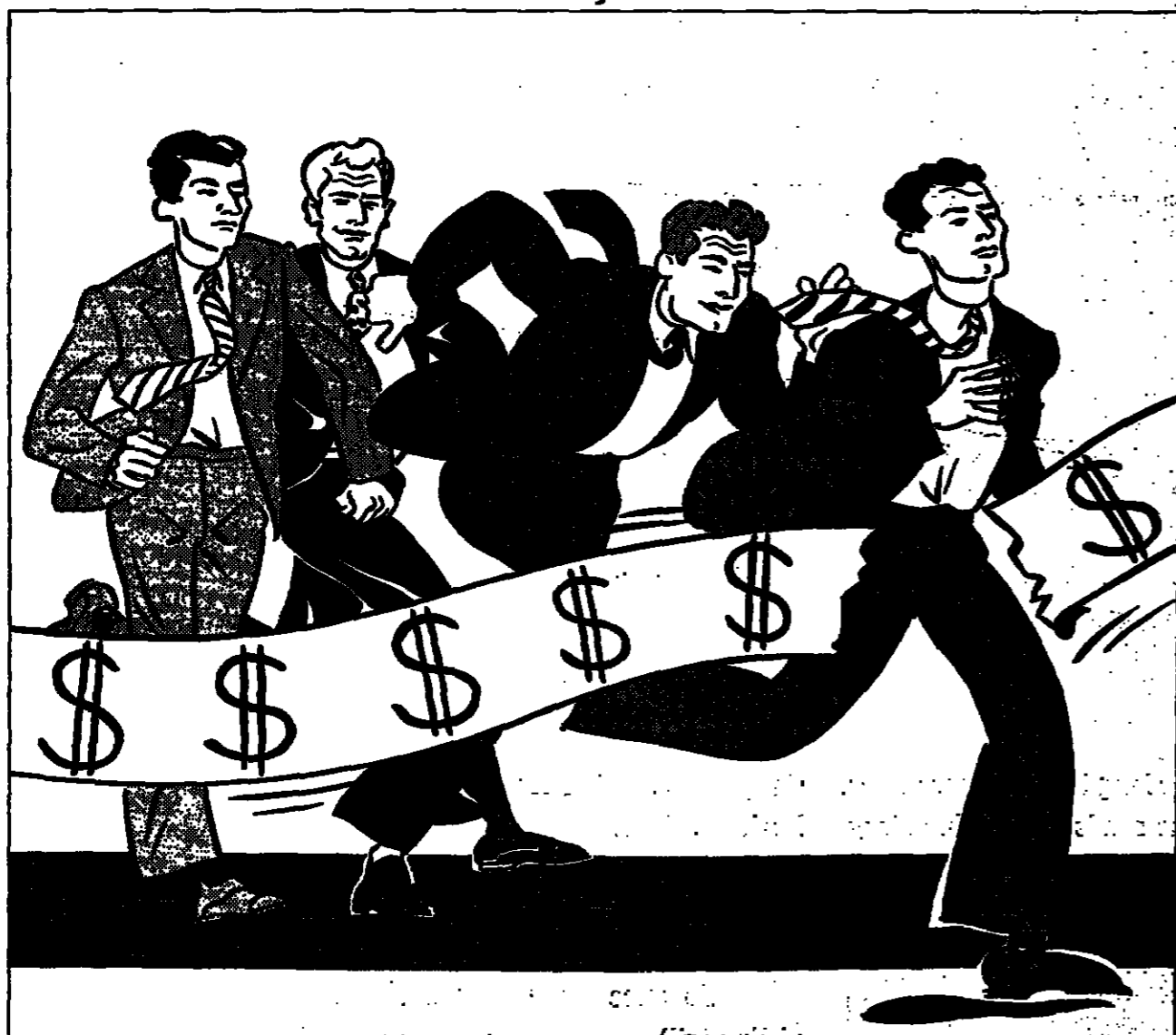
Some 26 companies in the UK, US and Japan were licensed to use the Bliss patent. But Bell Aerospace, a Textron subsidiary developing Hovercraft for the Pentagon, refused to pay royalties to BTG when it found it could not recover them from the US Government.

Although its licence was terminated in 1975, Bell Aerospace continued to use the invention in developing a series of 26 amphibious 30-ton hovercraft called LACV-30s.

The principal US defence against royalty payment was that, as a state-owned agency, BTG patents were freely available to the US Government under a 1953 technical exchange treaty between the two governments.

The US Complaints Court dismissed this defence last December, opening the way for a negotiated settlement.

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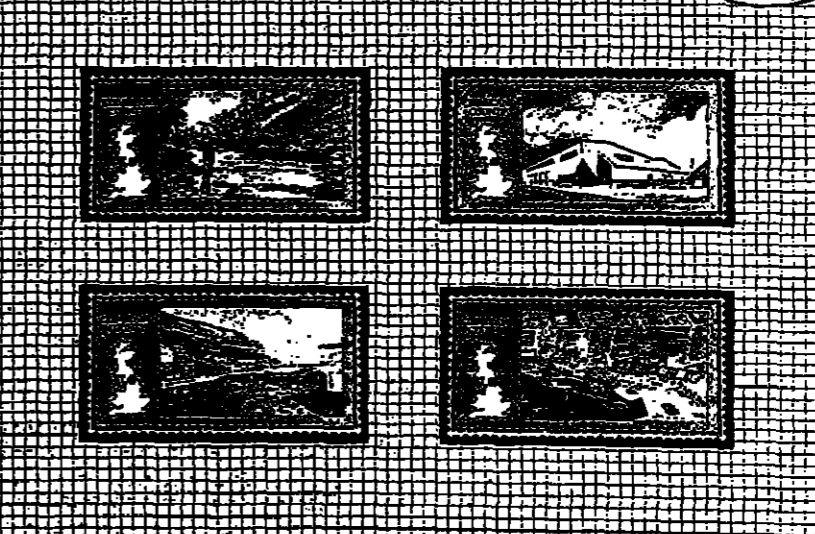
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## UK NEWS — HOUSE OF FRASER REPORT

## THE PRESS

## Cause was helped by newspaper treatment

By Richard Waters

THE FAYEDS' cause was aided by generally favourable treatment in the press, which gave further credence to claims about their background and wealth.

The inspectors note that once misleading reports about the Fayeds had begun to appear, they were picked up from newspaper cuttings files by other journalists. That added to the growing myth.

Meanwhile reports which questioned the ownership of the money used to buy the House of Fraser were met with little response.

One of those reports was by Mr Duncan Campbell-Smith, an investigative reporter on the Financial Times in early 1985.

The article, say the inspectors, is "remarkable" in being the only substantial article published in the British press after March 1985 to cast serious doubts on the Fayeds, except those in the Lorrho-owned Observer.

Mr Campbell-Smith is described as a "sensitive, very painstaking journalist".

He quoted Kleinwort Benson, the merchant banker advising the Fayeds, as saying that there was "no hidden hand behind" the Fayeds.

He added: "No one seems yet to believe them."

The Financial Times later published a qualified apology to this, pointing out that the Department of Trade and Industry and other government bodies had accepted the assurances of the Fayeds, backed by Kleinwort.

That and similar assaults were set in motion by Mohamed Fayed, the inspectors say. They amounted to "a constant and unrelenting process of 'gagging' the press."

"As a result of what happened, the lies of Mohamed Fayed and his success in 'gagging' the press created... new facts that the truth was a lie," the report says.

## THE FAYED BROTHERS

## 'Frankly, we do not believe them'

AT THE time of the bid, the Fayeds' family wealth was said to be sufficient to enable the brothers to buy House of Fraser (HoF) without recourse to outside borrowings.

## Family wealth

Mr John MacArthur, a director of Kleinwort Benson, said on television in March 1985 that the family had a net worth of "several billion dollars".

The brothers themselves claimed in a submission to the Office of Fair Trading at the time of the bid that they were worth more than \$1bn, although they revised this to \$750m in evidence to the Department of Trade and Industry two years later.

The inspectors say these figures were "inconsistent and misleading". They also say "The Fayeds' stories about their wealth are most unsatisfactory — frankly, we do not believe them."

According to the report, the Fayeds' actual wealth in 1984-85 was estimated at:

● Two cargo ferries, and 14 other vessels involved in servicing the offshore oil industry.

● The Ritz Hotel, Paris. The Fayeds valued its trademark alone at \$200m, but the inspectors cast doubts on this.

● A 49 per cent stake in a Texas bank, valued at \$2.7m in March 1985.

● "Quite valuable" interests in property, particularly in the US and France.

● Other assets included \$30m in profits from the film *Chariots of Fire* in 1985, and \$8m between 1981-84 in commission on aircraft sales.

● The brothers had no valuable interest in oil. Their claim to have made \$400m from a secret oil trading partnership in the early 1980s is rejected out of hand. The Fayeds' claim to having had interests in construction at the time of the bid is also rejected.

So what did the \$615m come from to buy HoF? The inspectors say: "We are of the very clear opinion that none of the activities of the Fayeds of which we have been told generated sufficient cash for the brothers to have been in a position to acquire HoF, or any substantial part of it, from their own funds."

And how, on October 31 1984, did the Fayeds come to have at their disposal \$500m and \$300m at the Royal Bank of Scotland in London, and a further \$225m in cash and securities at a Swiss bank?

The inspectors were unable to prove conclusively the source of the money — in part because of their limited powers, which meant they could not force the Fayeds to produce their bank statements except in limited circumstances.

However, they conclude: "The evidence before us... indicates that it is likely that the Fayeds used their association with the Sultan of Brunei and the opportunities afforded to them by the possession of wide powers of attorney from the Sultan of Brunei to enable them to acquire these funds."

Mr Mohamed Fayed advised the Sultan on a broad range of financial matters from early in 1984. It was after June 1984 that "astonishingly large sums of money" began to find their way into the Fayeds' accounts.

So what did the Fayeds do at the same time as a "quantum leap" occurred in the scale of transactions Mr Mohamed Fayed discussed with his merchant bank advisers — including a plan to buy the Savoy hotel in London?

In the second half of 1984, Mr Mohamed Fayed was given power of attorney to act for the Sultan in at least two instances over a dispute over a Boeing 747 aircraft, and the Sultan's purchase of the Dorchester Hotel. The inspectors also say that he possessed a power of attorney which enabled him to "draw very large sums of money from a bank."

By the end of April 1985, however — six weeks after the successful bid for HoF — all powers of attorney had been cancelled, and the relationship between Mr Mohamed Fayed and the Sultan "had undergone a very substantial change."

The inspectors say: "We are both of the clear opinion that the funds with which the Fayeds acquired HoF accrued to them through Mohamed's association with the Sultan of Brunei." They add that there is no evidence that the Sultan knew what was happening.

The picture the brothers painted was of an old-established family in Egypt, accumulating wealth in the cotton trade from 1876 and building up a large fleet of ships, carrying cargo and pilgrims around the world.

The claims of the brothers to being anglophiles were enhanced by their British names and (in the case of Mohamed) an education at the English-style Victoria College in Alexandria.

This picture, say the inspectors, is "completely bogus." They state: "The Fayeds produced birth certificates which were false and which they knew to be false. They repeatedly lied to us about their family background, their early business life and their wealth."

In reality, the Fayeds' father was a teacher of Arabic who lived at the time they were born in a poor district of Alexandria known as the Gomrok.

Mr Mohamed Fayed, the eldest brother and the person at the forefront of the HoF bid, began as a salesman for the Singer Sewing Machine Company in 1920, and was employed in the early 1930s by the wealthy businessman Mr Adnan Khashoggi in a business importing furniture into Saudi Arabia. It was only after his break with Mr Khashoggi that the Fayeds' first business was set up in 1936.

Mr Mohamed Fayed's subsequent business dealings are given in detail, including his involvement in Haiti in 1964. At that time he was granted concessions to build an oil refinery and modernise and extend the port at Port-au-Prince, but was alleged to have left the country with a substantial amount of the money entrusted to him.

The inspectors conclude: "We have no doubt at all that Mohamed Fayed perpetrated a substantial deficit on the government and people of Haiti in 1964. In particular, he deprived the Haitian authorities of more than US\$100,000 of money it could ill afford to lose."

By the early 1980s, the Fayed family interests extended widely, although not on the scale described in their own press releases. According to the inspectors, from the mid-1980s the brothers had developed principally in three areas: shipping agency business in the eastern Mediterranean, freight forwarding, and an interest in the great construction boom in Dubai.

**CENTRAL** to the report are claims made by the three Fayed brothers — Mohamed, Ali and Salah — and repeated by their advisers in the run up to and during the HoF bid in March 1985. These included the brothers' family and business background, their wealth, and the assertion that they could buy the House of Fraser from their own resources. All are subjected to close scrutiny in the 752-page report.

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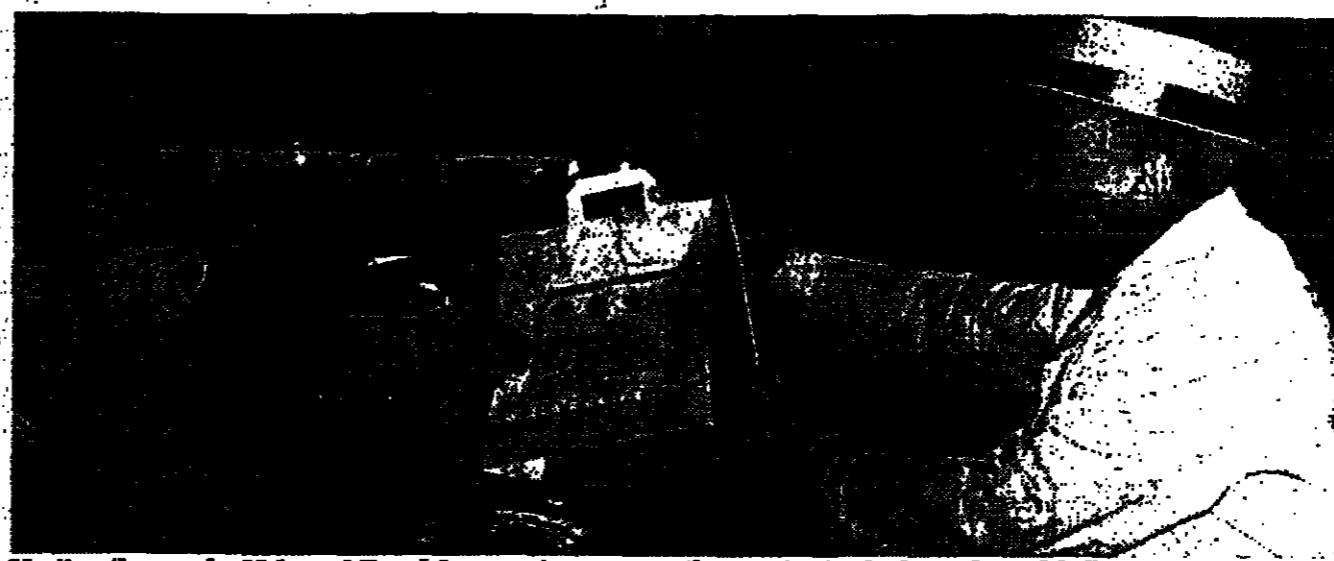
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## TECHNOLOGY

Della Bradshaw explains why improvements in telephone banking should increase convenience

# Dial M for Money

PM ALL FOR TELEPHONE BANKING - IT'S GOT RID OF THE QUEUES IN THE BANK



or 5m people using ATMs." Since the launch of the first computer banking service more than two years ago, about 30 of the UK's 600 or so banks and building societies have launched services. Between them they have around 1m participating customers - although the TSB alone has 250,000.

For strategic reasons it has been the smaller building societies, rather than the big banks, which have pioneered telephone banking. Eager to woo personal bankers from rival banks, the building societies saw telephone banking as a marketing tool. The Halifax, for example, introduced the service along with its Maxim cheque account last year.

A bonus for the smaller building societies is that telephone banking makes their limited geographical presence less of an obstacle. This was one reason behind the decision of the Chelsea Building Society - with just 65 branches and 200 outlets - to begin the service, says Richard Ashford, Marketing Controller. It has opted for a bureau service from Nexus Payment Systems, in

which one telephone banking system is shared by several building societies or banks. Technically, many banks and building societies have found the introduction of telephone banking easy. Those which have ATMs linked to fault-tolerant computer systems, from companies such as Tandem or Stratus, already have a system whereby the computer is interrogated for, say, the latest balance.

They can set up a similar procedure for telephone banking, installing a piece of equipment called a voice response unit between the computer and the caller. These voice response units, from such companies as Amphone, part of the Swiss Acom group and Marconi Speech and Information Systems, of the UK, take the "dialling" made by the push buttons of a modern telephone and translate them into the digital pulses recognised by the computer system as numbers. The computer is persuaded that the voice response unit is an ATM machine.

Crucial to this approach, such as Nigel Walsh, Marketing Director of the Software Part-

nership, which provides financial software, argues that it has strict limitations. Although the telephone banking service can, with the exception of giving cash, do everything that an existing ATM can do - give the latest balance, enable cheque books and statements to be ordered - that is all it can do. Introducing new telephone banking services, such as ordering foreign exchange, would be difficult.

For the customers there are three ways of banking from home, the simplest by pushing the buttons on a modern telephone. To pay bills customers have to go into their branch and set up the documentation - in a similar way as setting up a standing order - and then fill in the electronic payment forms by tapping in the digits. For those without modern telephones, banks and building

societies are also supplying tone pads, small electronic units which imitate the beeps made by the phones. These cost between \$5 and \$10.

Far more adventurous are banks which have opted to use voice recognition units, which listen to the caller and then respond. Although horror stories about these sort of systems abound - that they have problems recognising the words "four", for example, or that the echoes from an uncarpeted floor make the sounds unrecognisable - the technology is improving rapidly. And, as Hammond puts it: "If you use voice and you want to use voice, then you will make yourself understood. You will articulate properly."

Nevertheless, most banks admit that there will always be up to 20 per cent of bank account holders whose voices will be unrecognisable by the systems. And voice recognition units are slower to use than touch tone phones or keypads, and could lead to security problems.

A call was made from a public place, such as an office, the numbers could be overheard. And, according to Fox at the Northern Rock building society, many calls are made from the office. He reports that the most active time for using the service is between 9.30 and 10.30 on a Monday morning, with customers eager to find out whether they have over-spent at the weekend.

Voice response units vary in sophistication and fall into three categories:

- Isolated word systems, which recognise a spoken digit at a time, each word spoken between a "bleep".
- Continuous digit systems, where a string of numbers can be uttered, and the whole sequence recognised.
- Voice "print" system, the most adventurous of all, where the individual voice of the speaker is used to authenticate the transaction. The words are compared to a "voice print", which is taken at the local branch. Only if the two match can the transaction take place.

Whereas the two simple types of voice response units recognise a series of digits and a handful of words, such as "stop", "yes" and "no", customer service voice print systems can be asked to record a much wider range of words. The Royal Bank of Scotland has already carried out a trial in four branches using voice recognition technology from British Telecom and is planning to launch a nationwide service later this year.



## WORTH WATCHING

Edited by Della Bradshaw

### Piggy that won't go to market

THE technology division of PA Consulting is helping Danish pig farmers to bring home the bacon.

The Cambridge-based consultancy is developing an automated system designed to detect "sex odour" in the meat of male pig carcasses. This odour, which is released when the male pig is in the process of mating, is due to the development of a substance called skatole. This appears in some slaughtered boars which have not been castrated.

The £12m contract is for PA to supply the Danish Meat Research Institute (DMRI) with automated systems so that affected meat can be removed before it arrives at the butcher shop. Eventually 18 systems will be installed in all the big Danish pig export abattoirs, saving DKr 300m (£22m).

The system, which will be compatible with existing abattoir control systems, begins by measuring the skatole in the pig's spleen. This is done by extracting the substance into an organic solvent and analysing the sample using a spectrophotometer. The coded results are sent electronically to a sorting station so that the culprits can be diverted.

### Cables invade the phone network

IN a bid to increase revenues and reduce the cost of long distance calls, cable television companies are considering whether to supply telephone services to their customers in addition to television programmes.

The sticking point for many is the need to dig up the roads to lay the cables - one of the biggest expenses

for cable companies. To help the cable TV operators provide phone lines at a reasonable cost, GPT, the UK telecommunications firm, has devised a piece of equipment which will enable them to install chunks of cable which can be used for either television or telephony, as the customer demands.

The C-Mux multiplexer can be used on either copper cabling or optical fibre from the local telephone exchange and into the home or office. GPT envisages that, because of the local cost of the C-Mux, it will also enable telephone companies to take optical fibre cables further into the local telephone network.

### Probing the heart of the problem

A SURGICAL probe which can reduce the need for expensive heart valve surgery has been developed by the UK's Surgical Technology Group.

Ultrasonic probes, which convert tissue by vibrating at high frequencies, are already in surgical use. The advantage of the Surgical Technology probe is that it vibrates at a much higher frequency - 35 kHz as opposed to the standard 24 kHz and therefore is more accurate.

As well as reducing the damage to surrounding tissue and preventing blood loss, the probe can be used for new applications. The most obvious is in removing calcified tissue from heart valves, eliminating the need for surgery.

### Magnetic disks lose their hold

A MEMORY card large enough to store about 400,000 words could replace today's floppy disks in applications such as the retail sector and industrial control, where magnetic disks are prone to error because of the grubby surroundings.

According to Mitsubishi Electric, in Tokyo, the memory card is the first on general release to contain 2 Mbytes of information using the new S-Ram technology. The S-Ram device has battery back-up on the card, which means that when it is removed from the terminal or PC it remembers the information programmed on it for future use.

The card, which resembles a chunky credit card, is also

finding its way into Japan's latest computers - notebook machines which are smaller than ordinary portable computers but larger than the electronic notebooks.

### Air purifier goes underground

EMISSIONS from mining and tunnelling equipment can be particularly dangerous because the fumes are trapped underground. To help eliminate such an unhealthy atmosphere, Engelhard, the US catalytic converter specialist, has developed an exhaust purifier. It converts hydrocarbons and carbon monoxide to water and carbon dioxide and reduces the level of sulphates and sooty fumes associated with diesel engines.

The purifier, developed primarily by Engelhard in the UK, consists of a precious metal catalyst bonded to a ceramic honeycomb. The converter can be fitted on site to equipment already in use.

### Stiff suit dives to new depths

OLD adventure movies, in which terrifying aquatic monsters lurked on the sea bed, always involved a hero clad in a rigid diving suit peering through a helmet.

While most recent diving equipment has concentrated on the flexible suit made from synthetic materials, the rigid diving suit now looks set to make a comeback.

The West Germany company Dräger, of Lübeck, has developed a rigid suit made of seawater resistant aluminium, with rotary joints of aluminium alloy.

The advantage, says the manufacturer, is that since the water pressure is on the suit and not the diver's body, he or she can sink to depths of 300 metres - compared with only 50 metres with many of today's suits.

The specially named Newtsuit could reduce the cost of, say, underwater repair work on an offshore oil rig by enabling single divers to carry out the work rather than using complex diving machines.

Contact: PA UK, 020 251222, DMRG, 020 251222, 42 St 33 St, GPT UK, 020 251222, Surgical Technology Group, 020 251222, Mitsubishi Electric Japan, 020 251222, UK, 020 251222, Engelhard UK, 020 251222, Dräger, 020 251222.

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D W Swan  
Secretary  
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## Drexel given a push before it fell

By Leo Herzel and Richard W. Shepro

D id a reckless Drexel Burnham Lambert topple over the precipice or was it pushed by the US Securities and Exchange Commission and the US Department of Justice?

Although it is possible that Drexel's fall was caused by inherent weakness in the junk bond market, this is only speculation. Some of the weakness in the junk bond market may have been caused by the long impending criminal prosecution of Drexel. Certainly the dismissal of Mr Michael Milken, Drexel's indispensable junk bond star, was caused by the criminal prosecutions.

In general terms, the legal and financial excesses of Drexel Burnham in the takeover and junk bond markets are well known. Strong-arm tactics used by some of Drexel's representatives in the takeover market made many enemies.

Just over a year ago, the firm pleaded guilty to six felony violations of the securities laws and agreed to pay \$50m in fines. The indictments of Mr Milken and some of his colleagues, in which the government made an additional \$1.8m in forfeitures are still pending. However, none of the charges in the indictments calls into question the validity of junk bonds or the junk bond market.

The sledgehammer that stunned Drexel was the Racketeer Influenced and Corrupt Organizations Act (RICO), an exceptionally broad statute originally designed to fight organised crime.

It allows the government to seek treble damages and to ask the court to immobilise the defendant's assets before a trial. Once RICO charges are filed by the government a securities firm may have little choice but to settle.

Drexel had already seen a much smaller firm, Princeton Newport Partners, forced into liquidation pending its trial on RICO charges. Considering the hold the government had over it, Drexel's agreement to pay \$50m and to turn against Mr Milken was not surprising.

For a securities firm, pleading guilty to a felony can be devastating. Drexel, for example, immediately became incapable of continuing a full-scale securities business because of state law restrictions on a felon's securities business activities.

The felony convictions also

opened the door to large contingent liabilities to the New York Stock Exchange and from suits by companies who claim injuries arising out of the felonies.

These problems prevented Drexel from finding a merger partner or new capital from a large investor. Even its 35 per cent owner, Group Bruxelles Lambert, reportedly decided to call it a day because of its fear of the contempt charges.

Paradoxically, the sudden collapse of Drexel is exactly the kind of crisis that expert financial regulatory agencies such as the Securities and Exchange Commission were conceived to avoid.

Why did the Commission take so long to address Drexel's shortcomings and, when it did act, why was it so ham-fisted? In retrospect it appears that earlier and subtler forms of regulatory persuasion would have done much less damage to US financial markets.

Probably one part of the answer is ideological. When Drexel and its junk bonds began to dominate the takeover market in the mid-1980s there was still enormous enthusiasm for takeovers.

The Securities and Exchange Commission, for example, filed briefs in the courts arguing that street sweeps were an illegal defensive tactic. It exerted pressure through disclosure requirements on takeover-defence amendments and re-incorporations to states with more favourable takeover legal rules. And it instituted rules restricting the use of stock with special voting rights.

It was not unusual at that time to view Drexel more as a hero than as a villain. Its role in the takeover market could be seen (correctly) as an important check on self-serving activities of corporate management.

However, that simple, cheerful view of the matter was not the whole story. Over the years, the Securities and Exchange Commission must have received plenty of complaints about Drexel's activities from competitors and other victims of its aggressive tactics. Specifically, the Commission should have been alerted by the private lawsuit filed against Drexel in 1985 by Staley Continental, alleging that Drexel had used strong-arm tactics to manipulate its stock illegally. (The lawsuit

was settled in 1989.) The SEC's failure to take these warnings more seriously may have been the result of bureaucracy's natural suspicion of the complaints, or, bureaucratic inertia in the face of a very ambiguous problem involving a highly visible and successful investment banking firm.

In any case, as far as the public knows it was only with the death threat emerging from the Wall Street insider trading cases that a serious investigation of Drexel Burnham began.

As the investigation progressed, it turned into a crusade to win a blockbuster case. By then there was little chance that the SEC could use subtler methods to try to reform Drexel Burnham and possibly the junk bond market.

The collapse of Drexel Burnham also raises another important policy question: why did ordinary market forces fail to control the problem? The bad deals done with junk bonds clearly were not the exclusive fault of Drexel. Many other important institutions participated.

Some investment bankers, economists, politicians, financial journalists and lawyers did publicly voice their concerns about junk bonds and too much leverage. But when faced with a particular deal most financial professionals took a narrow short-term view saying, in effect, "let's make our money now and let someone else worry about the cosmic problems."

Moreover, industry fee practices, which emphasise large amounts of compensation at early stages in transactions, aggravated the problem. It was more important to get deals done than to ensure that they would be economically successful. Furthermore, the breakdown of traditional investment banker-client relationships tends to increase the emphasis on a short-term approach to clients and compensation.

Industry self-regulation was not a practical alternative either. In the US, co-operative self-regulation is legally highly tricky unless it has a solid statutory basis. Anyone who is damaged can sue on anti-trust grounds (treble damages) or for interference with an advantageous economic relationship. On the other hand, industry self-regulation is far from a perfect solution. It can easily turn into a self-serving monopolistic clique.

In short, the highly competitive US financial markets created a tremendous incentive to ride freely on the short-lived success of junk bonds.

Private litigation is a key element in the US system of securities regulation but in this instance it did not work either. Target companies had tremendous incentives and large resources to discover abuses in the takeover market but they failed.

This should not be surprising, since it is very difficult to get information about the inner workings of the financial markets. Market professionals are not eager to explain even when they feel they have been wronged. Without the threat of criminal sanctions and the other great resources of government, private litigants found it impossible to obtain hard evidence of abuses.

Although there have been many misuses of junk bonds, they serve a valid purpose. They will not disappear although their name may change. Drexel's collapse probably will be remembered as an aberration and a very personal warning label leads to name.

For a while at least, financing for acquisitions that do not have a specific business purpose will be much more difficult to arrange. This will make it easier to complete mergers that are aimed at a specific business goal. But it will also revive a challenging old problem. What will keep the managements of target companies and bidder companies in line when the threat of takeovers is reduced?

More generally, the Drexel Burnham collapse calls into question the possibility of successfully regulating free financial markets by either market self-correction or the use of flexible government agencies like the Securities and Exchange Commission.

Individual participants in the market find it uneconomic to act in the interest of either the financial markets or society as a whole and impossible to co-operate with others in order to do so. Regulatory commissions on the other hand have a tendency to react too late to new difficult problems and then too violently.

The authors are partners in the Chicago law firm of Mayer, Brown & Platt.

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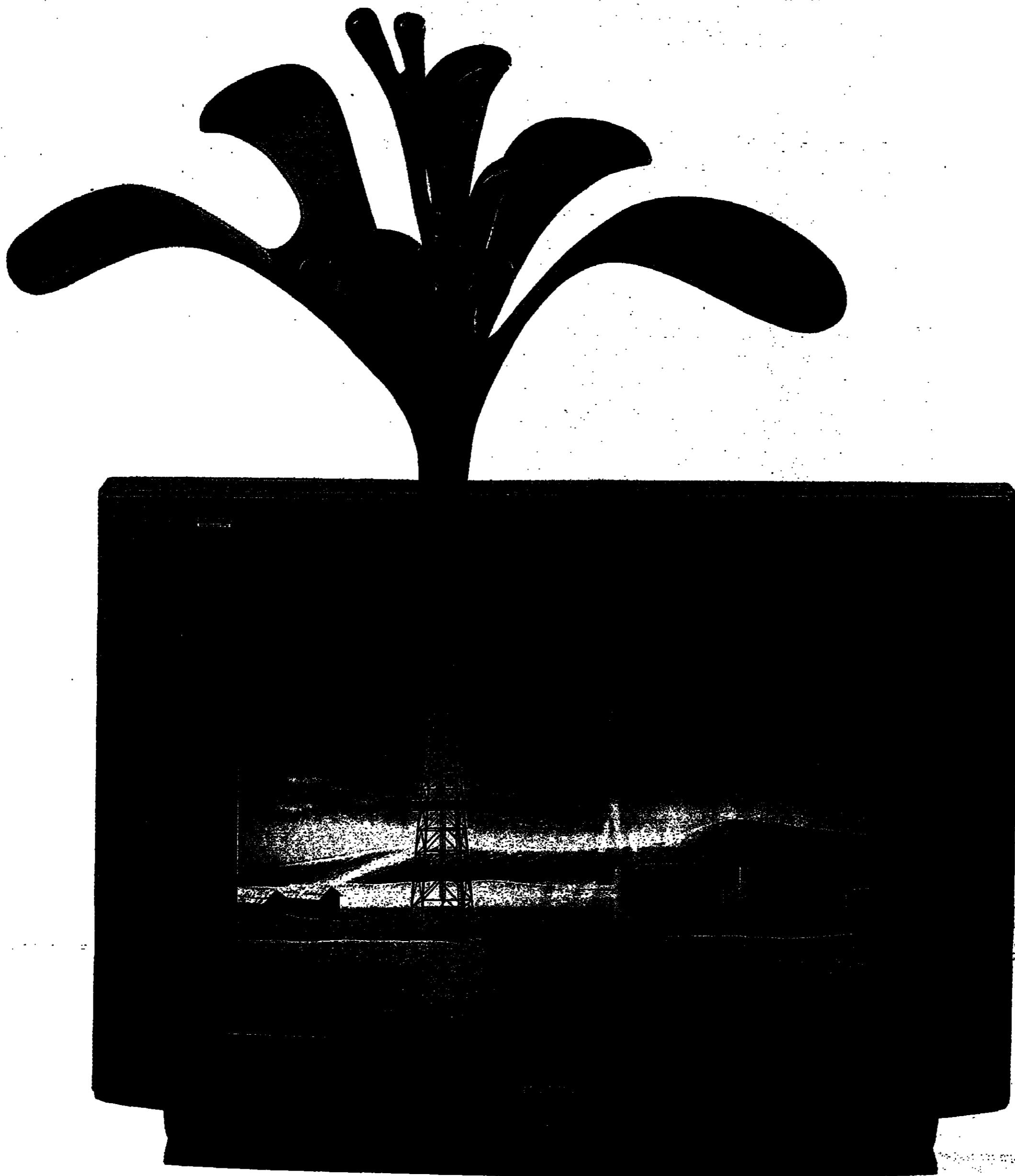
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## MANAGEMENT: Marketing and Advertising

## UK fashion retailing

## Chelsea Girl deserts to River Island

Maggie Urry explains a strategy which allows no sentimental attachment to a name

When some companies are avidly adding the value of their brands to their balance sheets, it is, perhaps, surprising to see one being tossed away. Yet that is what Chelsea Girl, the chain of fashion stores for young women, appears to be doing. The name will not die entirely, though, as it will later be reused.

Chelsea Girl and Concept Man, its masculine equivalent, both owned by Lewis Shops, a private group, are being transformed under a new name, River Island. The Chelsea Girl name was thought up in the mid-1980s, and replaced the shops' original name, Lewis Separates. It is reminiscent of the "Swinging London" and "Kings Road" era of fashion.

Now, says Leonard Lewis, managing director of the chain and the son of the founder of the retail business, the customers are the children of Chelsea Girl's original customers. "We never thought the Chelsea Girl brand would last 10 years," he admits. It is one of the leading names in the young fashion sector of the market and Verdict Research, the retail consultancy, estimates that the

group has 1.3 per cent of the UK clothing market.

Many retailers are loathe to change their brand names, and have successfully repositioned them. Dorothy Perkins, for instance, which is owned by the Burton group, dates back to 1916, when it was named after the rose.

Lewis has no qualms about dropping the Chelsea Girl and Concept Man names. "To us there is nothing magical about the name above the door," says Lewis, arguing that it is simply part of the package put before customers. Far more important, he says, are the management and financial systems, the people in the business and the merchandise.

Over the next few months the remaining 170 Chelsea Girl and Concept Man shops will be converted to River Island, and the chain to 200 shops selling both men's and women's clothes.

The change is taking place against a background of difficult trading conditions for clothing retailers. A recent report by Verdict concluded that: "Clothing retailers are experiencing intense pressure on sales densities and overca-

pacities will continue to be a serious problem in the foreseeable future."

Lewis says that changing the identity of the shops is in keeping with trends in the market. Chelsea Girl was aimed at the teenage market. The population is shifting, and there will be many fewer teenagers in years to come.

It is the right time, Lewis suggests, to reposition the chain towards an older age range. The group recognised this about two years ago, he says, and asked itself whether the shift could be made using the Chelsea Girl name. It decided that it would be better to create a different brand.

Having recognised the need for a change, the group then had to work on new designs. It decided against the minimalist designer style of the late 1980s and make the shops "feel relaxed and informal."

Lewis says two commissioned designs were turned down as being too much like the "hard-edged" 1980s style. Instead the directors decided to design something that was in keeping with the current 70s style. The new design has been refined until Lewis reckons it can be "more, fun,

and less serious than the power dressing of the late 1980s." Casual clothes are now where the excitement is, Lewis says.

People are readier to trust their judgment in choosing clothes rather than accepting whatever the fashion magazines are telling them to wear. The range on offer is carefully edited and the shops are not overfilled with stock.

Shoppers in a River Island store might feel they have wandered into someone's living room - there are vases of flowers, rugs on the wooden floors, and battered sporting trophies, tennis rackets and trunks around the shop. The idea is to create a cross between a Long Island beach house and an English country house.

The first shop was opened in Exeter 18 months ago, and the experiment was soon extended to three more shops. While Lewis could work in the odd store, the trick was to turn it into a national chain.

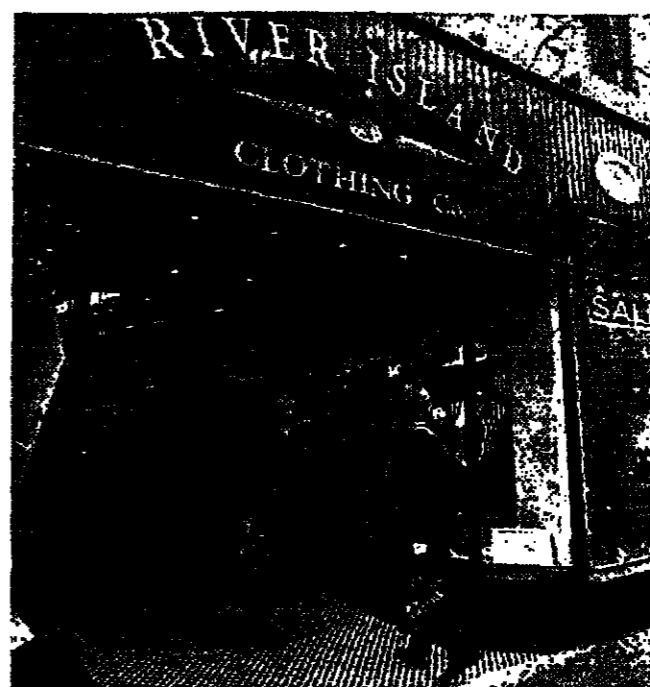
Lewis says the current 70s style has been refined until Lewis reckons it can be "more, fun,

After working on the format for 18 months, the conversion of 170 stores can be rolled out rapidly, and all will be done by September, taking only a week or two for each shop. Teams of shopfitters have been trained to move in and work as if on a production line.

Being a private company, says Lewis, allows the group to take a longer-term view of such development. It would be more difficult for a public company to make such a radical change - something that A. Goldberg, the loss-making Scottish-based retailer which has attempted to reposition its business while under takeover threat, could perhaps confirm.

Lewis says that the most crucial part of the business is managing the supply chain. Most of the merchandise is designed in-house, with fabric bought in and manufacturing sub-contracted, whether in the UK or abroad. Clothes can be run up in a few weeks if the group has the fabric and a UK manufacturer.

The aim is to minimise the stock in the shops, and to replenish it rapidly, thus reducing the risk of being left with stock that does not sell. Although buying in bulk



would be cheaper, making frequent, small orders is safer.

A tight control on stock is maintained and each week the group reassesses the value of its stock. Lewis says it is prepared to cut prices if necessary, rather than hope that sales of a line will pick up.

The true discipline is the opportunity cost of one line taking space on the sales floor at the expense of another, says Lewis. He does not want the shops cluttered with several

weeks' stock. Thus the group can operate from smaller shops than some of its rivals, keeping costs down.

Lewis believes there has been a fundamental change in the cost structure of retailing because of the rapid increase in shop rents of recent years. He reckons the River Island format recognises the new calculations retailers have to do and can make a smaller shop work effectively in the current harsher climate.

## Costly ride for theme parks

By David Churchill

BRITAIN's theme park operators will have to spend an increasing amount of money and effort on marketing their leisure facilities in the 1990s in order to keep up with changing demographics in the UK and the competition posed by the EuroDisney development in France.

Tourism Research and Marketing, a market forecast company, suggests in a new study of theme parks that in spite of the difficulties faced by some UK operators in the past decade they have had the opportunity of developing in a relatively immature market. Admissions have risen by two-thirds over the past five years - to reach nearly 10m visitors a year - as a result of the general growth in popularity of day-trips and short break holidays in the 1980s.

"But as the theme park market matures, along with the rest of the day-trip market, increasing product and promotional sophistication will be required," says William Richards, author of the study.

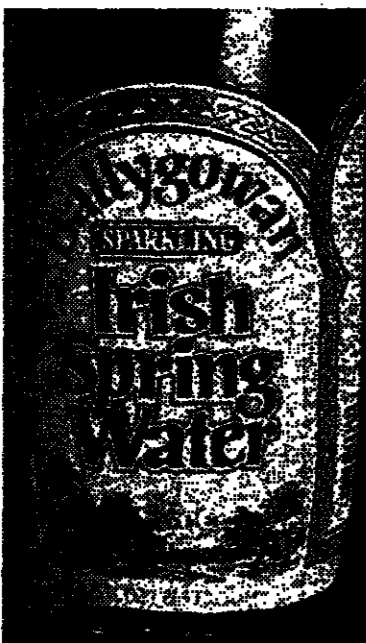
The key influence in the 1990s will be fewer 15- to 24-year olds, especially in the crucial C and D socio-economic (clerical and manual) target groups at which most British theme parks are aimed. There will be more children under 15 - thus creating "a large market for families with young children," says Richards.

The study suggests that the already relatively high level of advertising expenditure to sustain visitor levels - estimated at about 40p per visitor, excluding below the line marketing promotions - will need to rise steadily if operators are to develop customer loyalty and increase repeat visits.

Operators will also have to continue investing in new attractions. Chessington World of Adventure's new Transylvania themed area, for example, opens this year at a cost of £2m.

"Inevitably, increased product and marketing spend will lead to higher admission charges," points out Richards. Although this may deter some visitors in the short-term, he suggests that previous experience has shown that supposed "psychological barriers" of higher prices do not last long.

UK Theme Parks, Tourism Research & Marketing, 324 Kensington Lane, London SE11 5HT. 185.



## Ballygowan's high heaups for dampening Perrier

One thing the Irish Republic is not short of is water. The country also has an image that is, in these days of growing environmental consciousness, relatively clean and green.

These two factors have convinced Ballygowan, Ireland's leading spring water company, that it has both the necessary liquid supplies and the correct marketing weaponry for an assault on the world's growing mineral water market.

"We are not gloating over Perrier's problems," says Geoffrey Reed, Ballygowan's founder and chief executive. "But obviously we are now hoping to increase sales significantly, particularly in the UK market."

Ballygowan has already taken on Perrier in Ireland. It claims it now has nearly 80 per cent of the home market. While this figure is disputed by Perrier and smaller Irish bottled water companies, there is no doubting the Ballygowan success story. Its sales of both still and carbonated

were 200,000 litres in the first year of production in 1984.

Following its Perrier footsteps, it recently introduced water flavoured with lime, lemon and orange; these account for 8 per cent of its total sales which last year were 12m litres. While such sales are small compared with Perrier and other leading brands, it has big expansion plans.

In 1989 Ballygowan expects sales to grow to 20m litres, with much of the expansion targeted at the UK market. The company has recently signed an agreement with Grand Metropolitan for distribution through 15,000 G&M outlets in the UK. "We have created out of a two year marketing campaign in the UK and now feel we can challenge the dominance of Perrier, which up till now has had 90 per cent of mineral water sales," says Reed.

Ballygowan is produced at Newcastle West in County Limerick in Ireland. It has been produced there since 1978.

Reid formed a joint venture with Richard Nash, who owned the local bottling facility, in 1983.

In 1988 Anheuser Busch, the US brewing giant, purchased a 50.1 stake in Ballygowan. But the new partnership did not work. Anheuser Busch was having considerable difficulties in its beverage division and Ballygowan felt marketing of its products was being affected badly. Late last year Reid, 35, led a buy-back operation. He and Nash now each own a 35 per cent stake in Ballygowan, with the balance held by Mercury Asset Management, the fund management subsidiary of merchant bankers S G Warburg.

Like many privately held Irish companies, Ballygowan is very reticent about disclosing any financial figures. Reid will only say that the company is trading profitably and has no debts. He prefers to talk about the advantages he feels Ballygowan has in the business. "Ireland missed the industrial rev-

olution. Because of that we have a head start on the other European countries in the clean environment stakes," he says. "When it comes to bottled water issues are changing. People are more concerned with quality than fashion now. We pride ourselves on the purity and quality of our water."

Reid claims that the Newcastle West plant is the most modern in Europe. Most of its operations are fully automated and in total Ballygowan employs under 50 people, including secretarial staff.

Anheuser Busch supervised much of the design and building of the Ballygowan plant and did exhaustive testing on the water supply. "The rainfall in Newcastle West comes in straight from the Atlantic. There is no acid rain here," says Paul Tracey, Ballygowan's operations manager.

"Most of the land round here is either parkland or lying fallow so there is very little agricultural pollution, unlike elsewhere in Europe."

Ballygowan will capitalise on what it describes as Ireland's wholesome image in an advertising campaign now getting under way in the UK. "Perrier was associated with fashion," says Reid. "We are concentrating on making people aware of the clean environment Ballygowan comes from. Perrier were pioneers in bottled water. They established their own mystique. But we are pioneers in our own way," says Reid.

The Irish David taking on the French Goliath in the UK should be a lively battle, though the cost of both products will be more or less the same to the consumer.

Bottling water and selling it is not as simple as it looks. But in Newcastle West people are confident. They also seem to want good relations with their French rivals. "Newcastle West - twinned with Chartres de Bretagne" says the town sign near the Ballygowan plant.

Kieran Cooke

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# FINANCIAL TIMES

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Thursday March 8 1990

## Think again, Mr Ridley

PUTTING A GLOSS on statements made in the heat of a takeover battle is one thing; wholesale deception quite another. What emerges with the utmost clarity from the long delayed Department of Trade inspectors' report on the takeover of House of Fraser in 1985 is that the Egyptian-born Fayed brothers who now own Harrods lied persistently about their wealth and background.

Given that the Government itself was thoroughly duped in the course of the bid, the decision by Trade Secretary Mr Nicholas Ridley to rule out any action against the perpetrators of this deception is astonishingly complacent. For the real issue here is not the ownership of a stores group but public confidence in the business and financial system. The reluctance of Mr Ridley's predecessors to acknowledge the case for an investigation until just before the last election was odd enough. But the notion that the Government is content to permit a company which employs thousands to change hands in a \$615m transaction on the basis of wholly false information seems scarcely credible.

The dishonest representations in this case were not casual or throwaway remarks. They appeared in formal bid documents and submissions to the Office of Fair Trading (OFT). They were given immense credibility by the readiness of a leading merchant bank, Kleinwort's, and City solicitors Herbert Smith, to act for the Fayed brothers. Both the then Trade Secretary Mr Norman Tebbit and the OFT placed great reliance on the advisers' apparent backing for the Fayed bid. Yet the inspectors concluded that the advisers made inadequate inquiries into Mohamed Fayed's colourful background.

## The path to Gemu

If one adds West to East Germany, will one have an economic superpower in the heart of Europe or a wealthy country kept back by the need to support an invalid sibling? The answer depends on how unification is achieved.

It is now widely accepted that a rapid economic takeover of East by West Germany is inescapable. With a continuing outpouring of its most energetic people, East Germany has been bleeding to death. In January alone, 63,000 people left East Germany (a rate of 750,000 a year). Meanwhile, West Germany is experiencing a growing political backlash against the newcomers.

As a way of dealing with this problem, the conversion of East German savings into D-Marks is less essential than sometimes suggested. If anything, the higher the D-Mark value placed upon their savings, the easier it will be for East Germans to depart. Moreover, there are dangers involved, such as inflation in West Germany and widespread bankruptcy in East Germany, especially if a high rate of exchange for the East German Mark is chosen.

Fortunately, these risks tend to be exaggerated. Even if East German cash and savings balances were converted one-for-one there would be an increase in the D-Mark denominated broad money supply of around 15 per cent. This would not imply a corresponding increase in demand for West German production and a part of the conversion could easily be into illiquid instruments.

### Converted

Equally, a part (or even all) of the debts of the Kombinate to the East German banking system might be converted into equity and sold to both East and West Germans (with the former using some of their newly acquired D-Marks for the purpose). In addition, the public debt of East Germany, plus some portion of the enterprise debt, would presumably be added to the public debt of West Germany (or rather unified Germany). The higher the value put on the East German Mark, the larger the cost to the West German taxpayer of this transfer.

The fundamental issue is not monetary conversion, however,

global markets, such an attitude is untenable.

For its part Herbert Smith declared at the time that it believed its client to be trustworthy and reliable. The inspectors quote a senior partner providing an assurance during the bid that "Herbert Smith does not take on cases that do not hold water." Yet the firm subsequently defended itself by pointing out that it expressly declined to give any assurance, imprimatur or endorsement to the factual matters contained in the submission made to the OFT. The OFT was left with a quite different impression. And it surely deserved better than this: the City's reputation rests on higher standards than the advisers in this case have been prepared to acknowledge.

### Wide deception

No regulatory system can be proof against outright attempts to flout the rules. But when deception is uncovered on the scale apparent in the House of Fraser case, action is called for. The problem is that the House of Fraser case, action is called for. The problem is that the House of Fraser case, action is called for.

Use of the Government's powers to disqualify the Fayed brothers from holding directorships may not be a very effective sanction while they continue to own House of Fraser. But it would at least demonstrate that the Government does not condone their behaviour. The case for excluding Kleinwort Benson and Herbert Smith from involvement in future privatisations also merits consideration.

But to say, as Mr Ridley has done, that it is up to people who read the report to reach their own conclusions is to invite an obvious rejoinder. They may well decide that the government sees no public interest in the honest conduct of business affairs in Britain and express their aversion for this careless attitude at the ballot box.

but how the real economy is to operate. Monetary reform must go with the liberalisation of the East German economy. This form of words conceals an agonising process: people that have no experience of the market economy will be forced to change all their spots.

### Limited effect

From this long term point of view, it is the real not the nominal conversion rate that matters. The effect of any nominal conversion rate on the real rate of exchange will also be strictly limited, since the real wage in East Germany cannot be very different from what it is in West Germany, at least for those people who have a good chance of finding jobs in the West.

Most important, East Germany must not be loaded with West German costs, especially those of the West German welfare system. Following monetary conversion, the special incentives that attract East Germans to the West should be withdrawn. In addition, unemployment and other benefits in East Germany must be set in relation to East German incomes. Thereupon, market forces will generate a desirable increase in wage differentials in East Germany.

This alone will create a powerful incentive to locate production that is relatively intensive in the use of unskilled labour within East Germany. While market forces must be allowed to drive East German development in this way, the public sector will also have to make large investments in East German infrastructure (quite apart from paying for monetary conversion).

German economic and monetary union should be an economic blessing for both Germany and Europe. But two points must be remembered: first, what matters most is not monetary unification but the terms of economic union; secondly, success will only follow from reliance on the market forces that created the post-war West German "miracle". Development over many years is needed to bring East Germany up to the West German income level; a legislative attempt to raise East German social protection to West German levels would ensure that this never happens.

Brazil's federal police recently arrested the drivers of several trucks loaded with ore at Guratá-Mirim on the border with Bolivia. The ore did not contain gold, but tin.

Large-scale smuggling has come back to the tin industry. Jose Altino Machado, organiser of Brazil's wildcat miners, the *garimpeiros*, claims that 500 tonnes a month of tin ore masquerading as wolframite or manganese are being smuggled out of Brazil's ports.

As a consequence of the Brazilian smuggling, the world price of tin crashed again to a level at which many mines are selling below their cost of production. Once again cries of anguish from producers can be heard across the world.

In Malaysia some of the tin dredges have been shut down. In Cornwall, all 122 miners at the Geevor tin mine have been laid off while Cannon Consolidated, which owns the other two remaining Cornish tin mines, has cut its workforce by 90 and reduced both output and capital expenditure.

The huge flow of smuggled tin from Brazil is making a mockery of the major producers' attempts to bring supply and demand back into balance by restricting exports.

But the miners who hew the rock 3,000 feet down Cannon's Wheal Jane mine in temperatures above 58 degrees C (100 F), ankle deep in slurry, complain that it cannot be just coincidence that the present slump in the tin price coincides almost exactly with the re-start of tin trading on the London Metal Exchange (LME) last June after a three-year break.

Such is the LME's domination of non-ferrous metal futures trading that tin contracts world-wide are based on its prices. You can hardly blame the Cornish miners for having visions of LME traders in their comfortable offices in the City manipulating the tin price for their own profit and at the expense of those who sweat to win the metal.

That, says Clem Danin, of Charles Davis (Metal Brokers) and chairman of the LME's tin committee, is like blaming the thermometer when you have a fever.

A great deal of the smuggled tin comes from the notorious Bom Futuro (or Good Future) mine in Brazil's Amazonian jungle where there are still daily killings and shoot-outs and the 4,000 tin miners, living in squalor, are being driven out by the authorities. The authorities find it impossible to control these *garimpeiros* who work low cost, high grade, easy-to-extract cassiterite - which contains about 50 per cent tin metal.

The general view has been working Bom Futuro since 1987 and the recent upsurge in smuggling has been stimulated by Brazil's two-tier currency arrangements. A trader in tin for official export must have a licence and pay for the metal at the official exchange rate.

However, according to Robert Goldsobel, of RMT Metals and a trader who has made several recent visits to Brazil, it is legally possible to buy Brazilian currency at the so-called "parallel" rate, which adds brings you 100 to 150 per cent more cruzados for your US dollar than the official rate. The *garimpeiros* charge a cruzado price for their metal not far below LME's (translated at official exchange rates).

But a buyer using cut-price cruzados gets half-price tin. Of course, this tin must be smuggled out if the buyer is to make a profit. Smuggling is a criminal offence in Brazil but Bom Futuro is not very far from the Bolivian border and the authorities find it just as difficult to police the dense jungle frontiers as to control the *garimpeiros*.

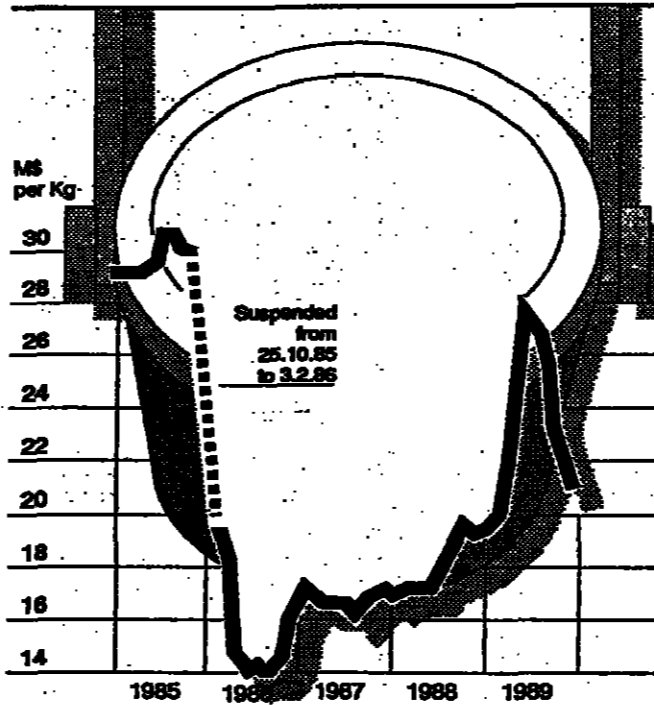
Brazil is now the world's major tin producer. According to Brazil's National Department of Mineral Production, official output last year was about 50,000 tonnes. It admits that an additional 5,000 tonnes were smuggled abroad.

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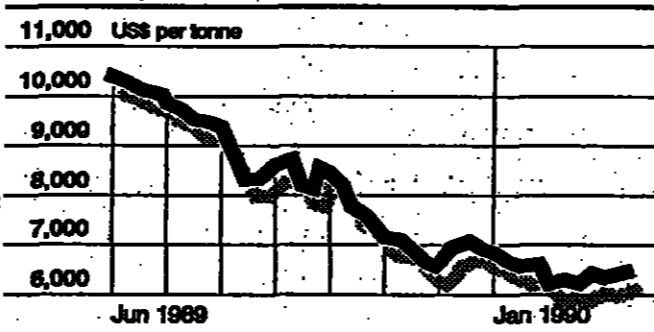
Kenneth Gooding reports on smuggling from Brazil

## Adventures in the tin trade

TIN PRICES: Kuala Lumpur



TIN PRICES: London Metal Exchange



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showing healthy growth - about 5 per cent a year - it is not rising fast enough to absorb surplus stocks and new production of the metal.

In the early 1980s smuggling was rampant, mainly in south-east Asia, and it fed a supply surplus which eventually resulted in the collapse of the tin market in October 1985 when the International Tin Council (ITC) ran out of funds to support the price.

About 120,000 tonnes of tin was left in stocks, enough to keep consumers satisfied for nine months; it depressed the price for more than three years. However, in March 1987 the Association of Tin Producing Countries (ATPC), which represents all the major producers except Brazil and China, introduced an export quota system which whittled away stockpiles.

Last year reported stocks

were only 25,000 tonnes, or six weeks of current usage. The tin price started to rise rapidly. From \$1,200 a tonne at the end of 1988, it reached a peak of \$3,700 in April.

When tin trading re-started on the LME in June the price stayed high for a time but then started to drift steadily downwards. The price crumbled this year after it was revealed that the producers had lost control and western world stocks were on the rise again. They currently stand at about 35,000 tonnes.

Peter Bomer of Anglo Chemical suggests that, if the market was ever manipulated, it was by producers during the period immediately before LME trading started again. "We traders made more money when there was no LME because there was more mystery surrounding the market."

Philip Crowson, chief economist at RTZ Corporation, points out that the prices have fallen to a level that puts producers under real strain even though they have cut costs enormously in the past decade. The marginal producers in 1988 had cash production costs of up to \$13 a lb. By 1989 that had been reduced to below \$7 and today the marginal cash cost is \$3.50 to \$4 a lb.

The Cornish mines reckon they need a price of about \$8,000 a tonne, or \$3.60 a lb, to break even. "So they are never going to do much better than break-even," says Crowson.

Clem Danin believes the industry has only itself to blame for its current tribulations. For more than 30 years before the 1985 collapse of the International Tin Council, producers and consumers were artificially buoying up tin prices one way or another. One result was that the high-cost Cornish, Canadian and Malaysian mines remain in business while Brazil, which was a negligible producer in the early 1980s, was encouraged to pull out of the tin trade to increase production quickly. Meanwhile, demand was weakened by substitution of other metals - such as aluminium in cans.

Although tin is one of the oldest metals known to mankind, it remains an important industrial commodity. Some 70 per cent of production comes from four developing countries: Brazil (25 per cent), Malaysia (20 per cent), Indonesia (20 per cent) and Thailand (9 per cent). The big consumers, accounting for about 75 per cent of demand, are the industrialised countries: western Europe (30 per cent), the US (25 per cent) and Japan (20 per cent).

The consumers use it for tinplate for packaging, for solder, and as a chemical in a wide variety of materials.

If producers could regain control and get stocks down the industry faces a healthy future even if supply demand growth drops below the current rate. But that means the smuggling from Brazil must be reduced substantially.

Robert Goldsobel of RMT believes that that might not take too long. Brazil's new president takes office on March 15 and is expected to take early action to reduce the *garimpeiros*, Mr Goldsobel says. "If the premium between the tourist rate and the official rate comes down to 20 to 40 per cent, smuggling won't exist any more."

## BOOK REVIEW

# Ghosts of Germany past

Documents on British Policy Overseas, Series I Volume V, Germany and Western Europe 11 August - 31 December 1945. HMSO for Foreign and Commonwealth Office, 396 pages, £55

The Foreign Office has chosen an appropriate moment for the issue of this expertly edited collection of documents on British policy towards Europe in the last few months of 1945. As we enter the early stages of German reunification it is useful to be reminded of those early stages in its division when it was still hoped that economic unity could be preserved under the administration of the four occupying powers.

As it soon proved, this was an illusion. The pass had already been sold at Potsdam, even though the Treaty called for German unity. The Russians had been given clearance to take reparations freely from their own zone, now East Germany, and were hard at work removing capital equipment, until, tired of that, they organised current deliveries from German factories instead.

Over the first 10 post-war years, they took something like the \$10m they had claimed as reparations at Yalta. East Germany went on to become the richest part of Communist Europe; but after Potsdam it was no longer part of Germany's economy, able to trade with the rest of the country. The illusion, however, lingered on. German economic unity within the frontiers agreed at Potsdam was a basic assumption in the long arguments over reparations during the winter of 1945-46; and even when the arguments were over, Britain's acquiescence in the reparations plan in the spring of 1946 was contingent on the preservation of German economic unity.

East Germany was in a sense a British invention. It came into existence, not because of a deliberate policy of dismemberment - that had been rejected by the Allies shortly after Yalta - but because the British had proposed to confine the occupying armies in separate zones, administered independently.

It is arguable that no other solution would have worked. Exactly as the "young Turks" attached to the British chiefs of staff had argued in 1944, the USSR was not prepared to abandon a grip on Germany that provided security and the prospect of participation in the government of the rest of the country; while the western Allies were set on retaining influence on as much of Germany as possible.

If economic unity was an illusion, reparations from the western zones were debated in a world of pure fantasy. The trivial alternated with the tremendous; disagreement was as likely to be over the size of the average egg laid by a Balkan hen as over Germany's future requirements for steel.

Reparations were only one aspect of policy - dominated in all countries by fear of German recovery and yet another world war. In deciding British

policy Bevin had to cope with the uncertainties of American intentions - the doubts as to how long their troops would remain in Europe, the wide differences between General Clay in Berlin and the State Department in Washington - and also the fears of the French: their efforts to detach the Rhineland and the Ruhr from Germany, their opposition to any moves to develop a central administration in Berlin, their hopes of building up in France the industries they voted to destroy in Berlin. The French might be difficult partners, but where else could Britain find in Europe the ally needed if left to face the USSR alone?

As one makes one's way through the documents in this volume, one is struck by the desperate state to which much of Europe had been reduced. Millions had to leave their homes, or were prisoners of war, or were on the move from one country to another, or in camps. The transport system had broken down and the entire capital stock was in urgent need of renovation. There were many shortages, aggravated a year or so later by shortages of dollars.

In facing these problems, Britain was in a false position. The least European of the countries of western Europe in economic and cultural ties, it was also lacking in the resources necessary for leadership. Yet it was obliged to discharge the responsibilities of a superpower and for that purpose spent most of the months covered by this volume in trying to supplement its resources by borrowing on an enormous scale from North America.

Now in 1990, we are faced again with what might once have been regarded as the spectre of German unity. But in the meantime fear of German militarism has given way to a passion for European unity which has so far subdued anxieties in the face of another kind of German domination. The union of the two Germanies presents technical and political difficulties.

But these difficulties, however great, are less formidable than those attending the union of economies on a continental scale. Can the European Community, having come thus far, close the door for ever on eastern Europe or, dare one suggest it, the USSR?

Sir Alec Cairncross

The reviewer was a member of the Economic Advisory Panel in Berlin from 1945 to 1946.

## Paradox of Merseyside

Merseyside is making yet another attempt to improve its image. A three-year image campaign costing over \$500,000, backed by the county's five local authorities as well as central government, will be launched today. It might as well be called the paradoxes of Merseyside, for the good news continues to vie with the bad.

The bulk of Merseyside's 1.5m people do not live in the non-striking folk who live in miles after miles of well-tended suburbia. The smarter parts of the boroughs of Wirral and Sefton offer a quality of life as good as anywhere, with sea-side views and greenery. Yet the area as a whole maintains its reputation for bad labour relations, factional politics, inter-racial strife and general Scouse bloody-mindedness.

Merseyside is one of nature's "good news-bad news" places. At its best it excels: witness Liverpool and Everton playing football. Yet there is also a perverse pleasure at being the best at being the worst.

The paradoxes abound. There is a shortage of skilled white-collar workers, but a seemingly unmanageable lump of jobless labourers who still number nearly one in five of the male workforce. Last year the dockers were first out and last back in the dispute over "jobs-for-life". This week the ambulance crewmen were ordered to strike. The Militant Tendency remains rooted in local politics.

Yet General Motors is putting up to £200m of engine plant into Ellesmere Port, GM's Delco plant in Kirby goes on turning out electronic and other components for almost every car made in the world, and Ford has invested similarly in Halewood. Even the Government has written off \$111m of debt at Mersey Docks to set the company free to do well, as its results yesterday suggest that

## OBSERVER

It will. Will an image campaign make any difference?

### Blackballing

Stories keep appearing about people being blackballed at London clubs. I find them very odd for two reasons. One is that, on the whole, members do not leak what happens inside a club. The other is that if a candidate is up for election it is not going to make it, the process is almost invariably stopped before blackballing takes place. Either the candidacy is allowed to peter out for lack of support, or the chairman has a word with the proposer and seconder. So I do not think that stories about people being blackballed should necessarily be believed. Unless it is like those Indians who were reputed to attach to their names MA Cantab (failed). Perhaps there is a certain kudos in putting it around that you were blackballed by a London club.

There is a report on the House of Fraser contains a strange statement on its second page. "First published in 1988", it says categorically. Pity we missed it first time round.

There is a touch of nostalgia in the first public share issue due to be floated this spring by Northern Stores of Winnipeg. Northern's 175 retail outlets include some of the remote trading posts in the empire set up by the Hudson's Bay Company to collect furs from local Indians and Eskimos under a charter granted by King Charles II in 1670.

Hudson's Bay, whose business now consists mainly of



"If this is Thursday, it must be Beasdale."

department stores in southern Canada, sold Northern in 1987. In advance of the share issue, Northern will change its name to North West Company, a move that will steep it even deeper in Canadian history. The original North West Company was a Montreal-based group of pioneers who vied with The Bay for almost a century for control of the North American fur trade before being absorbed by its rival in 1821.

Most of the northern stores are now similar to supermarkets, and some - like one on Beaufort Island - are big enough to qualify as mini-shopping malls. In contrast to the tough Orkneyman who pioneered the fur trade, Northern Stores' present head was recruited last year from a leading Toronto-based automotive retailer. But the company's managers still buy pelts from native hunters.

Anyone buying shares in Northern Stores will be in good company. Sir Martin Jacobson, chairman of Barclays de Zoete Wedd, has been a shareholder in the company - in a personal capacity - for some

years. "I bought the shares because I like that part of Canada and Eskimo culture," Jacobson said yesterday. Appropriately, the share issue will be underwritten by Wood Gundy, Canada's most venerable securities firm.

### Rolling on

From yesterday's Financial Times: "Company Director aged 45 would like to hear from go-ahead companies who can demonstrate real growth. Highly motivated, hard-working and successful, having spent many years with my present employers in a financial roll..."

### Speak English

Europe Brussels International - a non-party political, multi-cultural organisation, launched yesterday to boost the role of Brussels in Europe - wants to establish English as the city's third language "on an equal footing with French and Dutch".

Besides helping the estimated 25 per cent of the population which is non-Belgian, the idea might even appeal to linguistically sensitive souls. As anyone who has lived in Brussels will confirm, the average Flemish shopkeeper is reluctant to be heard talking French, but is quite happy to chat to customers in usually respectable English.

In fact, English already is unofficially the third language in Brussels. As a whole, there are three official languages: French, Dutch and German, to allow for the tiny community of German-speakers on its eastern border.

### Tory gloom

Heard in a Tory constituency: "I think he would like to resign too, but he doesn't have the sort of family he would like to spend more time with."

Only JAL have 17 flights a week from Europe to Japan.

July 1990

Richard von Weizsäcker, President of the Federal Republic, talks to David Marsh

# Calming the German frenzy

In the gladiatorial debate over German unification, Mr Richard von Weizsäcker, the West German President, is striving to project the measured tones of the pulpit above the roar of the arena. During six years as the head of the West German state, Mr von Weizsäcker has been in a constitutional position which gives him the incumbent authority, but not the political power. Mr von Weizsäcker has become, with elegance and effectiveness, the conscience of the nation.

One year into his second five-year term, he is also unusually popular - both east and west of the Elbe. He is a liberal conservative who is a somewhat dissident member of Chancellor Helmut Kohl's Christian Democratic Union (CDU). Perhaps because Mr von Weizsäcker is almost universally regarded as the future head of a united Germany, he has so far held back from the debate about German unification, increasingly frenzied ahead of East Germany's first free elections on March 18.

On Tuesday, however, the President chose to intervene in an interview with the Financial Times and three other for-

Dieterich Genscher, the Free Democrat Foreign Minister, who has been at loggerheads for several weeks with Mr Kohl over the Polish border issue.

Mr von Weizsäcker said that unification would have to be synchronised with fresh progress on the disarmament front. "We cannot run off with the dynamics of (a united) Germany as long as there is not a clearer perspective for security policy."

Mr von Weizsäcker emphasised, for instance, the impracticability of adopting Berlin as a future capital - which he supports as a longer-term goal - as long as Russian troops remain in East Germany. Just as he was remarking on the difficulty of harmonising unification with Moscow's own security needs, President Mikhail Gorbachev was making a renewed declaration of opposition to a unified Germany's membership of Nato.

Born in 1920, 10 years before Chancellor Kohl, Mr von Weizsäcker was a young infantryman in the Wehrmacht who took part in the invasion of Poland in September 1939.

When the fighting ended, Mr Kohl was 15 and had spent the latter years of the conflict watching bombs drop down on his home town, the Rhineland industrial city of Ludwigshafen. In 1945, Mr von Weizsäcker was a war-weary captain who went on to help defend his father - state secretary in the Third Reich Foreign Ministry between 1933 and 1945 - against war crimes charges at a Nuremberg tribunal.

In interviews, Mr Kohl's homely bluster invites the journalist to shout to get a word in edgewise. But Mr von Weizsäcker's eloquent and complex syntax virtually defies the journalist's attempts to wait until he weaves an intricate way through to the verb at the end of the sentence.

Both German leaders can be thin-skinned, but Mr von Weizsäcker's humour is considerably more delicate than Mr Kohl's barnstorming *Schadenfreude*. Unnervingly, the look in the president's eye can flicker suddenly from steel to a

twinkle and then back again. But he has the knack of saying more in a quick off-the-record aside (usually delivered in the twinkling mode) than Mr Kohl produces in several fulminant minutes.

Mr von Weizsäcker is a pacifist. Protestant. Mr Kohl is a Catholic. The President's human links with the East stem both from his early years spent in Berlin and also from his long contacts with the East German Protestant Church. He was governing mayor of West Berlin between 1961 and 1964.

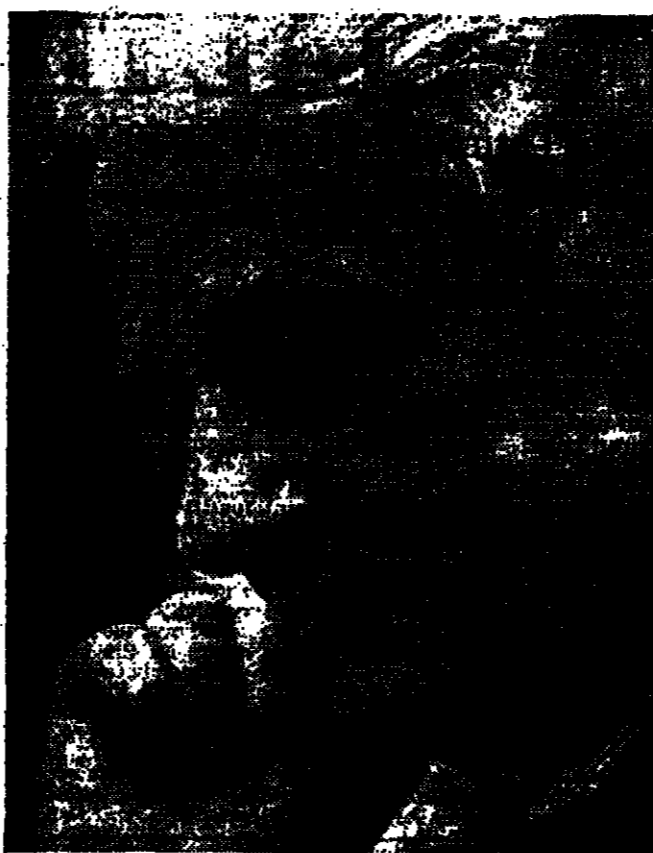
In spite of the bankruptcy of 40 years of communism, the President believes that East Germany can bring "character" and "values" into a unified state. "People were disadvantaged, but under dictatorship, they established lives in solidarity. This didn't make them heroes, but it gave them experience which need to be maintained."

Mr von Weizsäcker takes issue with the increasingly material motives to the unification process, illustrated by the continuing exodus of East Germans to the West to acquire D-Mark living standards.

He acknowledges that the temptation of the Federal Republic makes adjustment from communism more difficult for the East Germans than for other formerly East bloc countries. "The Germans in the East have a disadvantage which they do not share with the Poles and the Hungarians and the Czechs and the Slovaks - that they are not forced to be realistic."

In a manner which is clearly vintage rather than pontifical, he emphasises: "One-sided economic pressures undermine the need for understanding and equality between the two German states."

"If unity is decided only on the basis of access to the D-Mark, then we come quickly to the idea of an annexation (*Anschluss*) which is not intended and is politically unhealthy," that Germany should be grateful that its allies and partners have decreed it the right to self-determination in one state. This



President von Weizsäcker: Germany's conscience

it exists only at the level of a hard currency."

Mr von Weizsäcker voices strong misgivings about prescriptions from Bonn to the East Germans, some of which have come recently from Mr Kohl's closest advisers. Stressing that "East and West" it is up to the East Germans to decide the path to unity, he criticised "enthusiasm" in the Bonn coalition over using Article 23 of the federal constitution to implement a takeover of East Germany.

This stance, establishing an automatic mechanism for East German states to accede to the Federal Republic, is favoured by Mr Kohl as the speediest way towards unification. But Mr von Weizsäcker says that a process of "economic annexation" could produce "disease" in a future united Germany.

"My interest as the head of the West German state is that the other part brings its contribution to unity which allows it a healthy self-confidence. Otherwise the whole will not be healthy."

Asked about foreign scepticism about German unity, Mr von Weizsäcker says, with only the slightest trace of scepticism overtones, that Germany should be grateful that its allies and partners have decreed it the right to self-determination in one state. This

was not, he points out, the case with Bismarck.

Becoming more serious, he says that concerns about both about Germany's "inward-looking tendency, and about the growth of its economic potential - are understandable, and they have to be taken seriously."

He adds: "My main reason for confidence that these concerns will be shown to be unfounded is that we have a functioning democracy."

With just the slightest of hints that he may indeed be talking about Mr Kohl and the Polish border, he goes on: "If someone makes serious mistakes, he will be corrected, through the functioning of democracy, through competition of the parties, and through the action of the media."

Mr von Weizsäcker says that it is "perfectly right" for Germany's neighbours "to make us aware that we have to go this way (of unity) as a motor for the unity of Europe."

Then comes the inevitable nuclear thrust at Mrs Margaret Thatcher, the UK Prime Minister, with whom the President, like the Chancellor, has strained personal relations. "There are certain political personalities who want to use German unity to brake European unity."

## Civil service reform

# The problem of making Whitehall accountable

By Vernon Bogdanor

Boards, Jeremy Bentham once said, are screens. They protect those working in them from the rigours of parliamentary accountability. Mrs Thatcher's government came to office in 1979, determined to restore accountability by transferring many functions to the private sector so that they could be subject to market disciplines. Organisations remaining in the public sector, which were not under the direct authority of ministerial departments, would be abolished, as happened in the great quango cull of 1979 to 1983.

The "Next Steps" programme, launched in February 1988, and now in full swing, cuts across this public/private dichotomy. It proposes to separate the executive from the policy-making functions of government and to transfer the former out of Whitehall by establishing autonomous agencies. Each agency will be headed by a chief executive responsible for day-to-day operations within a policy and resources framework set by the departmental minister, who will monitor performance.

The intention is to bring management disciplines into government. Agencies will be autonomous, but they will be subject to a separation of powers in the case of agencies. A more likely result is buck passing. The minister will take the credit for successes while blaming the chief executive for failures. When things go wrong, the chief executive will say: I pressed the Government for more resources, but could not get them. Ministers will seek to distance themselves from agencies, but if a chief executive seeks to blame the Government's financial stringency, and the minister's position is threatened by inefficiencies, he will intervene, and nothing will be achieved by devolution. Even technical issues can have strong political repercussions. Engraved on the heart of every minister should be the words "Vehicle and General". Its collapse in 1971 exposed incompetence in that section of the DIT dealing with the regulation of insurance companies. This section would undoubtedly have been a prime candidate for agency status. No minister would spend much time

ensuring that it worked satisfactorily. Yet the consequences of inefficiencies caused grave political damage to the minister concerned, John Davies. To the extent, however, that devolution is achieved, an alarming gap in the accountability of government will be revealed. The Next Steps programme lays bare the gross insufficiency of grievance procedures. For, if a citizen can no longer complain to his MP about an agency decision, because it lies within the chief executive's remit, how is he to secure redress?

The idea of separating executive agencies from central government departments derives from Sweden. But in Sweden, Parliament plays a much less central role in the redress of grievances. The ombudsman is far more powerful; aggrieved citizens can appeal directly to him, and he can initiate prosecution of civil servants. The law on freedom of information makes it possible for the aggrieved citizen to consult his files, and there is a thoroughgoing system of administrative law.

It makes no sense to import a policy derived from another country with quite different constitutional traditions, unless an attempt is made to understand these traditions and adapt them. The political scientist Richard Rose has called the Next Steps legislation the Last Step, since it stands at the chasm between the institutions, methods and culture of business and those of the higher civil service.

Yet there is a constitutional obstacle to treating government as business, and it is only our disinclination to tackle constitutional issues which prevents us from seeing this. Either the Next Steps programme will expose a serious gap in our grievance procedures or, more likely, individual grievances will continue to end up on the minister's desk and nothing will have been achieved. Our supposedly flexible constitution is in fact a boomerang; those who think that they can consign its principles to the wilderness, will find that it returns to strike them when they least expect it.

The author is a Fellow of Brasenose College, Oxford.

## 'One-sided economic pressures undermine the need for understanding and equality between the two German states'

sign newspapers, he spoke out against the "very escalated debate" in the Federal Republic over unity with the East. He warned against "one-sided economic pressures" driving forward the issue of unification.

Mr von Weizsäcker spoke a few hours after Mr Kohl climbed down from his controversial demand last Friday that a united Germany would accept Poland's existing western border only if Warsaw agreed to renounce all war reparations claims.

The President is known to side strongly with Mr Hans-

elgott, the Polish Foreign Minister, who has been at loggerheads for several weeks with Mr Kohl over the Polish border issue.

Mr von Weizsäcker said that unification would have to be synchronised with fresh progress on the disarmament front. "We cannot run off with the dynamics of (a united) Germany as long as there is not a clearer perspective for security policy."

Mr von Weizsäcker emphasised, for instance, the impracticability of adopting Berlin as a future capital - which he supports as a longer-term goal - as long as Russian troops remain in East Germany. Just as he was remarking on the difficulty of harmonising unification with Moscow's own security needs, President Mikhail Gorbachev was making a renewed declaration of opposition to a unified Germany's membership of Nato.

Born in 1920, 10 years before Chancellor Kohl, Mr von Weizsäcker was a young infantryman in the Wehrmacht who took part in the invasion of Poland in September 1939.

## LETTERS

### Green papers: no basis for legislation

From Lady Seear.

Sir, How right you are to say ("The stubborn approach," March 5) that government policies have been "worked out" without sufficient opportunity for public debate and involvement.

In the past, before the introduction of important policy changes such as those planned for local government finance, or the student loans scheme, or the courts and legal services alterations, a commission of inquiry would have been set up. The members of such a body would have been chosen

to reflect a variety of different views; their names would have been known and they would have been able to make their proposals to the public. The proposals would have been half-baked.

The body would have called for evidence, which would have been published, again including the names and qualifications of the witnesses. The public would have been able to see where the advice came from and the arguments that supported it.

The modern way is for the Government to produce a green paper. No one knows

who has written the green paper, or what evidence it is based on or the professional competence of the writers. Yet the green paper inevitably becomes the agenda for discussion and subsequent legislation.

We all know that to control the agenda is half way to the control of the legislative decision. It is time we recognised that anonymous green papers are no basis for acceptable legislation.

Seear, House of Lords, Westminster, SW1

### Mr Walker and the miners

From Professor Brian Towers.

Sir, Mr Peter Walker's resignation as Minister for the Coal Industry, March 5, prompts him to look back on his career for moments of particular satisfaction. He recounts two: certainly some of us will feel grateful to him for his decision, in the 1970s, to let more than 20 of London's theatres. But I wonder in what sense his role in the defeat of the miners gave him similar satisfaction?

It was a signal defeat for mining communities - and not simply the National Union of Mineworkers - seeking the right to have an important, even decisive, influence upon decisions concerning the continuance, or otherwise, of their way of life.

Their defeat was clearly inevitable in the autumn of 1984. They were no match for the organisation and resources of capital. The Government dug deep into the contingency fund to finance opposition to the strike-aided by the deployment of a "national" police in a quasi-military manner and the almost total support of the media in its consistent misrepresentation of the NUM's case and silence on alternative economic arguments to those of the then National Coal Board.

Issues such as the tactics of the NUM leadership, the use of mass, flying pickets and the supposed "political" aims of its leadership were small beer in contrast with the fundamental conflict between capital and community. The final bill for defeating this "enemy within" was a cool £300-£350m.

Brian Towers (Editor), Industrial Relations Journal, Strathclyde Business School, University of Strathclyde, Glasgow

### Scientific collaboration with the private sector

From Mr John V. Burke.

Sir, David Fishlock's review of Mark Dodgson's study of biotechnology ("Defining the science of the future," March 1) has lessons for the long-term future of new science-based healthcare businesses in the UK.

Research and development into biotechnology products, such as pharmaceuticals and diagnostic tests, is not only very costly and protracted -

eight-to-10-year gestation periods are not uncommon for pharmaceuticals - but pressures for short-term profits can be especially damaging to new ventures.

Mr Fishlock is also right to stress the importance of commercialising British academic scientific achievements and the value of collaboration with the private sector. Japan and the US are devoting huge

resources to biotechnology in anticipation of breakthroughs and spectacular rewards.

We have centuries of expertise which, harnessed to the discipline of commercially driven research can ensure that Britain is not left behind again.

John V. Burke, Director and Chief Operating Officer, Parion International, 100 Piccadilly, W1

### Low-flying salaries in the aerospace industry

From Mr M. Priest.

Sir, The problems referred to by Paul Bates and Charles Bathele ("Skills shortage worsens," and "Home-grown skills," February 27) share one theme - the failure of certain companies to recognise the need to pay adequate remuneration.

As the results of our 1989 employment survey will confirm, salaries paid to members in the aerospace industry are not flying, but are very much in the bottom sector levels.

If such companies wish to commit themselves to over-coming, rather than talking

about, the problems and thereby remain effective, the basic answer is to pay appropriate salaries.

M. Priest, Manager, Professional Services, Institution of Mechanical Engineers, 1 Bridge Way, SW1

### UK education: jumping to invalid conclusions

From Ms Ann Robinson.

Sir, If Mr James Murphy's comments (Letters, March 5) are representative of the standard of scholarship in the Educational Research Department at Lancaster University, he merely confirms Mr Peter Morgan's comments on the state of British education in his speech to the Institute of Directors on February 27.

Mr Murphy claims that "only 11 per cent now leave school with no public examination achievement compared with four times that figure in 1970." But he is not really making a valid comparison.

In 1970 the only public examination available to school-leavers was the GCE "O" and "A" level. This appealed to a very narrow band of students

and accordingly a new examination, the GCSE, has been introduced specifically to widen the band of school-leavers who can claim a certificate.

If we examine the statistics for those who left school in 1988 with GCSE of above grades D and E (equivalent to an "O" level pass), then we find that Mr Morgan's statistics (quoted from the Annual Abstract of Statistics, 1989, p66, table 3.14) are patently correct.

As an academic, Mr Murphy should know that you cannot compare two entirely unlike objects as he has done. Equally, there is considerable evidence of a serious shortage of graduates, particularly in the more technical subjects like science, engineering and accountancy. This is borne out

by the fact that many companies are now moving their recruiting exercises into the mainland of the European Community to draw upon a larger pool.

Mr Murphy is correct in stating that the UK produces an average figure of graduates relative to other major European countries. What is more frequently quoted, however, is the low relative percentage of the UK's 15-25 population in full-time education.

Rather than Mr Morgan's arguments being threadbare, it is Mr Murphy (who should know better) who has jumped to invalid conclusions.

Ann Robinson, Head of the Policy Unit, Institute of Directors, 116 Pall Mall, SW1

### Cromwell's 'genius'

From Mr David Ives.

Sir, Antony Thornecroft ("Digging in for the battle of Naseby," February 25) is perhaps a little over-generous to Cromwell's "genius saving the day" at Naseby. Cromwell and the estimable Sir Thomas Fairfax did have, on general reckoning, over 14,000 troops against the Royalists' 8,000 or so, which probably helped a bit.

David Ives, Goudsbury House, Goudsbury, Louth, Lincolnshire

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Fidelity	%	Henderson	%
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Schroder	35.0	Phillips & Drew FM	31.9
Midland Montagu	34.9	Robert Fleming	31.8
Cartmore	34.8	NIM Rothschild	31.7
Kleinwort Benson	33.7	BZW	31.6
Capital House	33.0	MIM	31.6
Lazard	33.0	Murray Johnstone	30.5
Lloyds	33.0	Baring	30.0
Legal & General	32.3	Morgan Grenfell	29.5
Hambros	32.0	County Nat West	25.8

SOURCE: FINANCIAL WEEKLY

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RULING PARTY ACCUSED OF POLL FRAUD

## Mexico crushes opposition election protests

By Richard Johns in Mexico City

MEXICAN police have crushed opposition protests against alleged electoral fraud in Guerrero state, underlining the Government's growing impatience with political dissent in Mexico's tourism hub.

Three policemen were killed as security forces forcibly dislodged supporters of the left-centre Party of the Democratic Revolution (PRD) from the town hall at Cruz Grande, near Acapulco. It was one of 18 which had been occupied since December 10 in the wake of bitterly-disputed municipal elections and allegations of fraud.

The PRD reported that there had been violent confrontations at four other municipal headquarters as anti-riot squads and the Federal Judicial Police (PJF) moved in before dawn in a surprise attack. The struggle at Ometpec, 50 miles south-east of Acapulco, left two activists dead, nine hospitalised and at least 70 members arrested, the party said.

Mr Jose Francisco Ruiz Massieu, the controversial Governor of Guerrero, flew to Mexico City on Tuesday for talks with the Government. The state leaders of the ruling Institutional Revolutionary Party, Mr Reuben Figueroa Alcocer, and Mr Rosalio Wences Reza, have now agreed on a "truce" and a

"halt to violence" under the auspices of the Ministry of the Interior.

Mr Carlos Salinas de Gortari, Mexico's President, has pledged to liberalise Mexico's political system and open it to opposition parties. But he has been severely hampered by the unwillingness of some elements in the ruling Institutional Revolutionary Party (PRI) to relinquish power, and the Government has come under heavy criticism for the continuation of alleged ballot-rigging.

The violence is the latest escalation of conflict over the disputed elections. The PRD claims that 56 of its supporters have been killed in election-related violence since mid-1988.

Last week, three PRD activists were killed when police removed demonstrators blocking the roads to the two airports serving Acapulco and Ixtapa, two major tourist resorts.

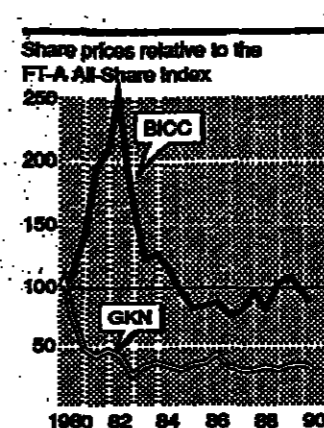
The Mexican Government is known to be concerned that the violence and unrest are damaging the image of Guerrero, which depends heavily on tourism.

The PRD is demanding the dismissal of Mr Ruiz, the appointment of an interim governor and the holding of new elections. It has also demanded that judicial proceedings be taken against Mr Ruiz for vio-

lating the Law of Responsibilities of Public Servants. The State Electoral Commission has agreed that the results of the polls last December for six municipalities should be annulled and has already called three disputed town halls.

Three town halls were evacuated peacefully and a compromise reached over the future of seven others on the basis of power-sharing between the PRD and the PRI. That leaves three town halls still occupied in troubled Guerrero. In Michoacan, meanwhile, members of a couple of well-known City advisers have suffered, and outside the City, at least, it will fuel a more general impression that standards are not what they were.

It is hard to imagine a more damning document than the Department of Trade Inspection report into the House of Fraser takeover. The conclusion that the Fayed led about their wealth and deceived the regulatory authorities on a grand scale is pretty damning stuff, even for a privately owned company. Lounsbury has proved that it was wronged in no uncertain manner, the reputations of a couple of well-known City advisers have suffered, and outside the City, at least, it will fuel a more general impression that standards are not what they were.



tail-end of the business cycle. Investors seem to be remembering that BICC, after its survival in the 1980s, is now a high quality operation. On that score, one can comprehend why some see the present price of a little over 8 times 1989 earnings as undemanding.

It is worth totting up some figures and pointing out that since 1984, when it was making only 290m pre-tax, BICC has comfortably afforded in aggregate a net 2390m of capital spending, and paid 180m in dividends. On top of that, it has paid for the hefty redundancy and the string of US and European acquisitions which have repositioned it as a low-cost global cable-maker; and yet net gearing is still only 35 per cent. Granted, BICC has used share placings to finance its purchases; but even so, earnings per share have gone on rising at 20 per cent plus per annum.

Although this is a company whose powers of cash generation have been appreciating rapidly, the question is whether the progress can be sustained, beyond a likely 14 per cent increase in taxable profits to 2300m this year. Given the historic record, BICC's four Beatty seems safe enough; and as for cables, the key is maintaining the steady margin improvements since 1985. On the latter score, BICC's confidence is very striking.

## Britain criticised by North Sea nations

By John Hunt, Environment Correspondent, in The Hague

BRITAIN came under fierce attack yesterday as the only country still dumping industrial waste and sewage sludge in the North Sea beyond the agreed deadline.

At the opening of a North Sea conference in The Hague, Britain was also accused of causing nuclear contamination in the Irish and North Seas from British Nuclear Fuel's reprocessing plant at Sellafield and concern was expressed about the proposed Atomic Energy Authority plant at Dounreay in Scotland.

The environment ministers of Denmark, Sweden and Norway last night delivered a letter to Mr Chris Patten, UK Environment Secretary, demanding the immediate ending of all British dumping of industrial waste and sewage sludge in the North Sea. The letter said it was of great concern to fishermen, environmental groups and the general public.

They stressed their concern about proposals for the nuclear reprocessing plant for fast reactors in the Irish and North Seas, which they believed that even with the best technology, unintentional discharges of radioactive material could occur with "severe effects on human health and the marine environment". It would have unpredictable effects on the fishing industries of Norway, Iceland and the Faroe Islands.

Mr Patrick Flynn, Irish Environment Minister and president of the EC environment ministers' council, called for the closure of Sellafield. Mrs Kristin Hille Valla, Norwegian Environment Minister, urged that the Dounreay proposals should be abandoned.

Britain has said it will end nearly all industrial dumping by 1992 and will stop all sewage sludge dumping by 1996. Under the 1987 North Sea declaration,



Chris Patten: calls for a positive and constructive approach instead of lectures

industrial dumping should have ended last year. The criticism of Britain was led by Mrs Lone Dybkjaer, Danish Environment Minister. She said the attitude of Mr Patten on dumping was like Nelson putting his blind eye to the telescope.

"We are becoming very concerned that the UK Government has failed to see the significance of preparing for the North Sea," she said.

She urged the UK to phase out immediately the disposal of sewage sludge because alternative methods were available.

Mr Patten rejected the criticisms and accused Mrs Dybkjaer of preparing her speech without regard to Britain's latest pollution reduc-

tions. He called for a positive and constructive approach, instead of lectures, and said: "People in glass houses should not throw stones" - a reference to the fact that most river-borne pollution comes from the Rhine and other outlets on the eastern side of the North Sea.

Defending the Sellafield plant, he said discharges had been cut by 90 per cent and a new investment programme intended to reduce the remaining discharges by a further 90 per cent.

Replying to the Norwegian criticisms, he said outlined planning permission had been given for the Dounreay plant. But a final decision on whether

it should go ahead would not be taken for five or six years.

The conference decided to phase out and destroy all PCBs (polychlorinated biphenyls) by the end of 1990. This was a compromise by the UK and France which had been pressing for the year 2000 as the target date.

However, Norway, Denmark and Sweden will try to destroy these substances by 1995 - their preferred option.

PCBs are used in electrical transformers for insulation and were the centre of a controversy last year when a Canadian shipment for incineration in the UK was turned away at British ports.

## AT&T and NEC to swap chip technology

By Robert Thomson in Tokyo and Louise Kehoe in San Francisco

NEC, Japan's largest producer of semiconductor chips, and AT&T Microelectronics, the semiconductor division of the US telecommunications company, yesterday announced a semiconductor technology partnership agreement.

They will swap semiconductor technology and related chip design technology and co-operate in the manufacture of some types of chips.

The announcement comes as pressure continues in Washington for an expanded foreign share of the Japanese semiconductor market. The partnership has the approval of Japan's Ministry of International Trade and Industry (MITI), which is attempting to encourage Japanese companies to find US technology partners.

The companies are establishing a process that will expand the use of AT&T's semiconductor chips in NEC computers and telecommunications equipment products.

They have also agreed to become partners in the market for Application Specific Integrated Circuits (ASICs), devices tailored to meet the specific needs of individual customers.

AT&T Microelectronics will be licensed to manufacture and market NEC's gate array products, a type of ASIC. They will also swap computer-aided design tools for use in their respective businesses.

AT&T will, in effect, become an alternate source for NEC's gate array products: it will initially manufacture the gate array products at its US plant, but in the future may also manufacture them at its Spanish plant.

pected, it does seem encouraging that the company has avoided its penchant for takeover fiascos.

Gas distribution is a business the company knows everything about and it should also be well informed about Canada, however troublesome it has been to learn the lesson. The exit ploy for Consumers is around 11, although that will rise when British accounting standards are applied. Thus the deal is expected to be mildly dilutive this year before subsequently enhancing earnings as revenues rise. However, any increase may be fairly marginal, judging by British Gas's caution about the need for operational change in Canada, although there should at least be some gain on refinancing Consumers' debt.

Whatever the criticisms of British Gas's previous acquisition forays, diversification overseas does seem a sensible policy for a company of its size. Canada appears to offer a better regulatory environment (for companies rather than consumers) than the US and indeed the UK. But the market has yet to be convinced that future acquisitions will be as logical as this one.

## British Gas

The market seemed stunned into indifference yesterday by British Gas's latest venture on the acquisition of a Canadian gas utility, perhaps torn between uncertainty as to the impact of the deal and relief that the target, Consumers, was within the company's management capabilities and price range. Odd though it may seem to describe a 256m acquisition as small, it is so in terms of British Gas's annual revenues of 27.5bn. But this is still, after all, a capital goods company, right at the

## BICC

Yesterday's 5 per cent rise in BICC's shares may seem a little overdone, as a reward for a company that has managed to avoid being hit by the downturn in the US auto industry. Its gearing is rising but there are several ways that this can be reduced and this does not include a rights issue. However, a prospective multiple of 7 1/2 times earnings suggests that GKN's optimism about its ability to ride out the coming downturn may be misplaced. If it is not then it deserves a re-rating.

## US offers solution to IMF quotas dispute

By Peter Riddell, US Editor, in Washington

THE US, seeking to act as an "honest broker", has offered a compromise in the dispute between Britain and France over the size of their respective shareholdings or quotas in the International Monetary Fund.

The problem arises from Japan's desire to become the second-largest shareholder, a rank held by Britain, which has agreed to give up some of its voting share. However, Britain and France each insist on its right to occupy fourth place according to complicated measurements of economic performance.

Britain argues that it is not the country holding up the

quota review, although completion of decisions is being delayed by the ranking issue and by discussion of proposals to deal with arrears owed to the IMF by Third World countries.

The suggested solution, put forward on a recent visit to Europe by senior US officials, is that Britain and France would for the moment have an equal ranking while they worked out a period of adjustment in quotas. But there is apparently no agreement on how to adjust quotas.

The US, with no direct interest in the ranking question, has sought, according to a

senior Administration official, to be "helpful, acting as an honest broker." US officials find the dispute rather puzzling, while acknowledging its "symbolic importance." In practical terms, the ranking affects the number of senior posts allocated to a country at the IMF headquarters in Washington.

A senior US official involved thought that the dispute would not be sorted out until the overall quota review was completed (probably by early May), but that then both Britain and France would reach an agreement to avoid being accused of holding up decisions.

Sir Antony Acland, the British Ambassador to the US, yesterday wrote to the Washington Post to insist that the UK was not seeking to hold up the quota review. "Far from blocking agreement, the UK has in fact helped provide a solution to this problem by offering to give up some of its own voting rights" (to help Japan).

Saying Britain was "perfectly happy to accept the results of the quota formulas and to accept the consequent fall in IMF ranking," he added that the formulae left the UK in fourth rank, whichever year's data is used as a base-

## Hardly an end to the Fayed saga

Continued from Page 1

for the DTI inspectors - Sir Henry Brooke QC and Mr Hugh Aldous, an accountant. Heroes in Lounsbury's eyes - one of the group's press releases described Sir Henry as "witty and charming" they were depicted by House of Fraser yesterday as unjust and lacking in relevant experience.

The accusations in the DTI report were worthless, said House of Fraser, and the DTI itself had effectively disowned the original investigation.

Mr Cole added that the inspectors' conclusions about the management of House of Fraser were favourable. "The truth is that the stewardship of this outstanding company is in the best possible hands," he said. He again denied that the Fayed had received financial backing from outside sources for the 1988 takeover.

Kleinwort Benson, which was criticised as the Fayed's merchant bank adviser for failing to check out their financial

position independently, said the report "accepted that Kleinwort Benson acted in good faith."

The bank said that there were limits to what could be verified, particularly in the private affairs of non-corporate clients. It had relied on what it had been told and on its own reasoned judgement, but did not have available to it the contrary evidence supplied by others.

Herbert Smith, the law firm

whose involvement was said by the inspectors to have lent the Fayed bid credibility, said it would not be making a statement.

The Bank of England said it would be studying the report to see whether any action was needed over Harrods Bank, the licensed bank which is part of the group. It would also be studying the comments made about Kleinwort Benson, it said.

## Japanese divided over interest rates

Continued from Page 1

The central bank takes comfort from the fact that the turmoil in Tokyo financial markets has failed to dent Japanese industry's confidence.

A survey carried out in mid-February, before the recent plunge in the Japanese stock market, showed companies were as confident of their prospects as they had been at the time of the last survey in November.

Soundings carried out in the days after the upheaval in the market indicated no change in

the opinions of business leaders, said Mr Masaki Nakao, director-general of the central bank's research and statistics department.

The bank's survey is the strongest evidence published so far that the fall in equities, Japanese bonds and the yen is having little or no impact on industry. The bank's quarterly reports on business confidence are regarded in Japan as one of the most important leading economic indicators.

Mr Nakao said the results showed the economy was on a

plateau with little sign of growth decelerating. The survey showed a confidence rating of 62 per cent among manufacturers, against 53 per cent in November.

Among non-manufacturing companies, the confidence rating fell from 52 per cent to 49 per cent, a figure which the central bank still regards as satisfactorily high.

Labour shortages continue to be industry's biggest problem. The number of companies reporting difficulties was the highest on record.

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## WORLD WEATHER

Location	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Alexandria	22	10	10	London	10	10	London	10	10
Algiers	20	10	10	Madrid	12	10	London	10	10
Amman	18	10	10	Moscow	8	10	London	10	10
Antwerp	12	10	10	New York	4	10	London	10	10
Bahia	28	10	10	Osaka	12	10	London	10	10
Bangkok	30	10	10	Paris	10	10	London	10	10
Bombay	32	10	10	Rome	15	10	London	10	10
Buenos Aires	20	10	10	Sao Paulo	22	10	London	10	10
Calcutta	30	10	10	Seoul	8	10	London	10	10
Cairo	25	10	10	Shanghai	15	10	London	10	10
Cardiff	10	10	10	Singapore	30	10	London	10	10
Chengdu	15	10	10	Sydney	20	10	London	10	10
Chongqing	18	10	10	Taipei	22	10	London	10	10
Copenhagen	8	10	10	Tokyo	15	10	London	10	10
Dakar	28	10	10	Urumqi	5	10	London	10	10
Damascus	20	10	10	Vladivostok	8	10	London	10	10
Dhaka	30	10	10	Yokohama	15	10	London	10	10
Dublin	10	10	10	Zurich	12	10	London	10	10



## INTERNATIONAL COMPANIES AND FINANCE

## Enimont to ponder new proposal by Gardini

By Hag Simonian in Milan

THE board of directors of Enimont, the Italian chemicals joint venture, is due to meet today to discuss the massive £10,000bn (\$7.97bn) capital increase recently put forward by Mr Raul Gardini in a further twist to the complex affairs of the company.

Immediate acceptance of the idea appears highly unlikely in view of the frosty reception granted by Mr Gabriele Cagliari, the chairman of Eni, the state-owned energy group, which owns a 40 per cent stake in Enimont.

A further 40 per cent is held by Montedison, the private sector chemicals group controlled by Mr Gardini, while the remainder of Enimont's stock is publicly quoted.

The Enimont board may at least set a date, which under Italian law has to be within 90 days, for an extraordinary general meeting of shareholders to consider Mr Gardini's plans.

Mr Cagliari has objected to both the content and manner of presentation of Mr Gardini's proposals. These involve adding Ausimont and Himont - respectively Montedison's specialist fluorochlorochemicals and polypropylene subsidiaries - to the Enimont joint venture, thereby accounting for half the additional capital involved.

The rest would come from issuing new shares and convertible debt.

According to Eni, no adequate reasons have been given for the move. Not only has there been no formal objection made to Enimont's current business plan, but no alternative proposals have even been sketched out for the future under Mr Gardini's suggestion.

Eni has also pointed out that Montedison rejected the inclusion of the subsidiaries at the time the joint venture was formed last year.

Less clear are the motives behind Mr Gardini's decision to up the stakes in the battle for Enimont.

While firmly pitching the ball into Eni's court, both sides know that Enimont's future can only be resolved by detailed negotiations between themselves.

## PolyGram advances 27% despite weakness in US

By Michael Skapinker

POLYGRAM, the music company owned by Philips, the Dutch electronics group, yesterday declared record net income of F133m (\$173.8m) for 1989, up 27 per cent from F126m in 1988.

The company - whose artists include Tears for Fears, Ella Fitzgerald, Leonard Bernstein, Placido Domingo and Luciano Pavarotti - said net sales increased by 20 per cent to F14.11bn from F13.43bn a year ago. Operating income went up 35 per cent to F1457m from F1339m. Net income per share was F12.08 compared to F11.64 last year.

The results include a six-month contribution from Island Records, which PolyGram bought last July. Results

from A&M, which PolyGram acquired at the beginning of this year, were not included in the 1989 results.

Last December Philips floated 20 per cent of PolyGram's shares on the Amsterdam and New York stock exchanges. Mr David Fine, PolyGram's president, said yesterday that Philips did not intend to sell any more shares in the foreseeable future. He said a London listing was not envisaged as this would require the sale of at least 25 per cent of the company's shares.

Mr Fine said PolyGram was still weak in the US, although the A&M and Island acquisitions would increase its presence there. They added per-

formers like Sting and U2 to PolyGram's repertoire.

The acquisitions would lift PolyGram's share of the world recorded music market from 15 per cent to 18 per cent, said Mr Fine. He said the company led the European market with a 21 per cent share.

Compact discs accounted for 37 per cent of PolyGram's unit sales last year, up from 29 per cent in 1988. Cassettes made up 43 per cent of 1989 sales, with the declining vinyl record market accounting for the rest.

PolyGram derived 68 per cent of total 1989 revenues from popular music recordings, 30 per cent from classical music and 12 per cent from activities like music publishing and video.

## Aker plans Nkr600m equity issue and spin-off

By Karen Fosell in Oslo

AKER, the big Norwegian industrial group, aims to raise more than Nkr600m (\$81.5m) through an international equity issue of 4.4m non-voting B-class shares and will spin off 51 per cent of Aker Drilling, its offshore oil drilling unit, by spring.

The new placing is to be lead-managed by Kleinwort Benson of London and co-led by Oslo's Sundt Collier Møntag.

Mr Johan Braaten, senior vice president of Aker, said the idea behind spinning off the drilling entity was to spread the risk of that part of the business.

He explained the new share issue was in part to finance the group's increased shareholding in Valenciana de Cementos Portland (CVCP), Spain's largest cement producer, which was boosted to 24.8 per cent from 11.3 per cent in November.

The issue will strengthen the group which currently has an equity to debt ratio of 18.4 per cent.

Aker said it would seek a share listing for Aker Drilling on the Oslo stock exchange. To this end it is to place 51 per cent of Aker Drilling's shares in the market. Existing shareholders in the company will be given preferential subscription rights, along with the new B-shareholders.

Aker said that it had not yet reached agreement with two other major shareholders over the structure and ownership of CVCP. However, discussions were under way.

## Postbank blames fall on interest rates

Postbank, one of Finland's largest banks, said group profits tumbled last year by 85 per cent to Fmk2.1m (\$1m) from Fmk12.9m in 1988, writes Enri-que Tessler in Helsinki.

State-owned Postbank cited high interest rates and credit write-offs for the decline. These rose last year by 220 per cent to Fmk26m, while operating profit slumped by 38 per cent to Fmk34m.

## Aeritalia looks abroad for acquisition opportunities

By Paul Belts, Aerospace Correspondent

AERITALIA, the Italian state-controlled aerospace group, is looking for acquisition opportunities especially in Europe to internationalise its operations.

"We need to invest in a few more feet outside Italy," says Mr Fausto Cereti, managing director. "Italy is a bit too small for us."

The Italian company, part of the state IRI-Finmeccanica holding, made a significant first move to expand outside Italy last year when it acquired majority control of Dea Howard, a US company based in San Antonio, Texas, specialising in transferring and re-engineering commercial aircraft.

Mr Cereti is scouting for other acquisitions in both the US and European markets to strengthen and complement his group's commercial aircraft operations, which now account for nearly 40 per cent of Aeritalia's estimated sales of around £2,500m (\$1,780m) last year. Company net profits are expected to increase to nearly £1,000m for 1989 from £770m in 1988.

Like other aerospace groups, Aeritalia expects to see its commercial aircraft operations continue to grow and account for an increasing share of overall company sales.

"We have given up any idea of growth in the defence market," says Mr Cereti, who also expects a delay in the launch of the production programme for the new European Fighter Aircraft (EFA) in which Aeritalia has a 31 per cent share.

In the buoyant commercial aircraft business, Aeritalia has positioned itself in two niches - the regional airline market and the big jetliner market - as the leading civil jet aircraft manufacturer. It supplies Bo-



Fausto Cereti: Italy is a bit too small for Aeritalia

ing and McDonnell Douglas in the US, and recently became a supplier to the European Airbus consortium.

The Italian company's co-operation in key jetliner programmes started 24 years ago with McDonnell Douglas on the DC-8 and DC-10.

Aeritalia is now working on the US group's MD80 twin-engine jet and the new MD11 tri-jet. It plans to participate in the MD90 twin-engine jet programme as well as the future MD12, a stretch of the MD11.

Co-operation with Boeing started 12 years later on the Boeing 767 twin-engine jet. Now, another 12 years on, Aeritalia is to provide the European Airbus consortium with fuselage parts for the new A321 programme, involving a stretched version of the best-selling A320 twin-engine 150 seater aircraft.

"We chose not to be a leader company in the big commercial aircraft market but to specialise in supplying sections to still weighing up all their options. A decision is still some months away," Mr Cereti concedes.

demand is strong," Mr Cereti says.

Aeritalia has now built a solid reputation as a reliable supplier and risk-sharing partner in several major airliner programmes.

"It has always been something of a wonder how Aeritalia has managed to deliver always on time when you consider the overall Italian industrial and political scene," comments one of Aeritalia's big US customers.

In the regional and commuter aircraft market, Aeritalia has built a strong presence with Aerospaziale, the French state-owned aerospace group, in the joint Franco-Italian ATR regional turbo-propeller aircraft venture. With the ATR42 and the ATR72 we have gained about 25 per cent of the world market for commuters," says Mr Cereti.

Aeritalia is now studying with Aerospaziale the possibility of stretching the ATR further. It is also looking at the possible joint development with Aerospaziale and Casa of Spain of a new 100-seater regional jet-liner which would compete against the Dutch Fokker 100 and the British Bae 146 jet.

Mr Cereti says there appears to be a demand for such a jet in Europe. "We see a preference for turbo-props in the US in this market segment where they are used by airlines as feeder aircraft, while in Europe we think jets with a longer range and offering more comfort are more interesting," he explains.

However, the regional aircraft market is fiercely competitive and Aeritalia and its other European partners are still weighing up all their options. "A decision is still some months away," Mr Cereti concedes.

## Buoyant Gambro to lift payout

By Robert Taylor in Stockholm

GAMBRO, the Swedish manufacturer of kidney dialysis and intensive care equipment, increased profits (after financial items) by 21 per cent last year to SKr328.2m (\$53.45m) from SKr271.3m in 1988. Sales rose 9 per cent to SKr3.1bn from SKr2.9bn.

The board is proposing to increase the dividend to SKr2.40 a share from SKr1.8 a share, a rise of 33 per cent. It will be distributed on May 30. Earnings per share climbed by 43 per cent to SKr3.68 from SKr2.03.

Operating income went up by 26 per cent last year to SKr18.3m from SKr14.7m.

The group said its fifth consecutive year of continued favourable earnings growth reflected the position it had captured during the 1980s as the world's leading medical technology company specialising in renal care.

Gambro added that production capacity has been rationalised still further during 1989 to increase cost efficiency. It mentioned in particular the centralisation of blood

lines production in its Italian plant in Mirandola as well as the new production line installed in the Hechingen plant in West Germany for capillary dialysers.

The group also benefited from the launch of a range of new products during 1989 including AK90, a dialysis machine adapted specifically for the Japanese market; CWP100, a water purification unit designed for dialysis; and System 100, a new system for peritoneal dialysis that reduces infection problems.

## Lufthansa eyes stake in Wings

By Andrew Fisher in Frankfurt

LUFTHANSA, the West German national airline, has made an offer to buy a minority stake in German Wings, the small, privately-owned airline which has been competing for business on domestic routes since April.

Lufthansa also said yesterday it had signed a letter of intent to take a 26 per cent holding in Interflug, the East German airline with which it has been holding talks on co-operation and financial help.

Lufthansa says that Interflug

would remain independent.

Industry analysts suggested that Lufthansa, of which 51 per cent is state-owned, was aiming for a strategic stake in a small competing airline, just as Air France has done in its own country to neutralise growing competition in the skies. A majority stake by Lufthansa in German Wings would certainly draw the attention of the Federal Cartel Office.

German Wings operates six aircraft and flies between Munich, its base, and the West German cities of Cologne, Dis-

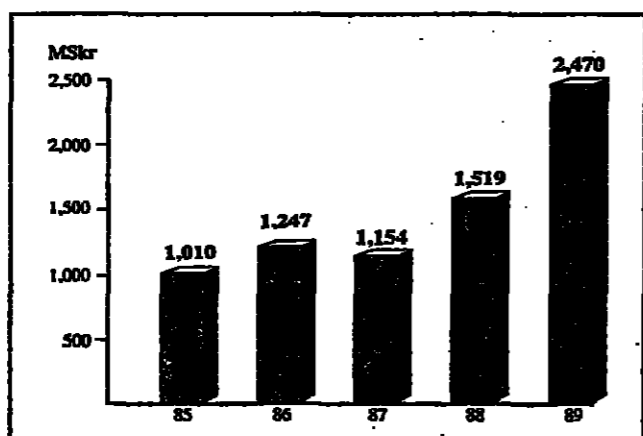
seldorf, Hamburg, and Frankfurt, as well as to Paris.

Mr Kimmel and his brother Christian have a 40 per cent holding in German Wings, which has not yet reached break-even and now needs more capital to expand.

A further 45 per cent is owned by the investment company of the Burda brothers, Franz and Frieder, whose brother Hubert owns the Burda publishing group. The rest is held by German banks through an investment company.

## SKF 1989 Results

## SKF profits increase 63%



Year to December 31, 1989	Increase	Swedish Kronor	Sterling equivalent
Income after financial income and expenses	+63%	2,470m	£254m
Earnings per share	+56%	14.15	£1.24
Proposed dividend per share	+21%	4.25	£0.40

In accordance with the longer term strategic goals to balance manufacturing with sales in each major market of the world, SKF is

making a major investment in a rolling bearing factory in Malaysia which will commence production in 1991.

For a copy of the 1989 Annual Report, please contact SKF Group Public Affairs S-415 50, Göteborg, Sweden, Tel +46 (31) 371000

Average rate of exchange for 1989: 1 GBP = 10.54 SKr.

AB SKF

SKF

Anglo American Gold Investment Company Limited  
(Incorporated in the Republic of South Africa)  
Registration No. 05 00084 05

## AMGOLD

Results for the year and final dividend  
(Subject to final audit)

Consolidated income statement			Consolidated balance sheet		
(R million)	Year ended 28.2.90	Year ended 28.2.89	(R million)	At 28.2.90	At 28.2.89
Investment income	339.9	352.4	Shareholders' equity		
Interest earned less administration expenses and interest paid	4.1	6.6	Share capital	22.0	22.0
Cost of prospecting	344.0	359.0	Non-distributable reserve	32.1	32.1
Net income before taxation	308.5	330.3	Retained earnings	398.8	364.7
Taxation	-	-		452.9	418.8
Net income after taxation	308.5	330.3	Investments and loans	531.7	376.5
Dividends	274.4	296.3	Mineral rights	25.0	20.1
Retained earnings	34.1	34.0	Debtors and cash	70.8	182.3
			Dividend payable and other creditors	174.6	180.1
			Net current (liabilities) assets	(103.8)	22.2
				452.9	418.8
Earnings per share-cents	1 405	1505	The market and directors' values of investments are:		
Dividends per share-cents			Listed - market value	£ 132.6	5 788.6
Interim	650	650	Unlisted - directors' valuation	322.9	275.4
Final	600	700	Loans	45.6	35.6
				8 501.1	6 099.6
			Number of shares in issue (000)	21 952	21 952
			Net asset value - cents per share (after providing for dividend and based on investments at market and directors' valuations)	38 367	27 979

Note: The annual report will be posted on or about March 28 1990.

## Dividend

On Wednesday, March 7 1990, the directors of the company declared final dividend No. 84, as follows:

Amount (South African currency)	600 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, March 23
Registers closed from to (inclusive)	Saturday, March 24 Saturday, April 7
Ex-dividend on Johannesburg and London stock exchanges	Monday, March 26
Currency conversion date for sterling payments to shareholders paid from London	Monday, March 26
Dividend warrants posted	Wednesday, May 2
Payment date of dividend	Thursday, May 3
Rate of non-resident shareholders' tax	14.6055 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board  
Anglo American Corporation of South Africa Limited  
Secretaries  
per: T.S. Johnson, Divisional Secretary  
Johannesburg  
March 8 1990

Head Office:  
44 Main Street  
Johannesburg 2001

London Office:  
40 Holborn Viaduct  
London EC1P 1AJ





This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / March 1990



U.S. \$100,000,000

**Daiwa Overseas Finance Limited**  
(大和海外財務有限公司)

9% Guaranteed Notes Due 2000

Guaranteed as to payment of principal and interest by

**The Daiwa Bank, Limited**  
(Kabushiki Kaisha Daiwa Ginko)

Daiwa Bank (Capital Management) Limited Salomon Brothers International Limited

Nomura International

Chase Investment Bank

Cosmo Securities (Europe) Limited

Manufacturers Hanover Limited

This announcement appears as a matter of record only.

NEW ISSUE

MARCH 1990



**Canadian Imperial Bank of Commerce**

**Canadian Imperial Bank of Commerce**  
(a Canadian Chartered Bank)

Japanese Yen 5,000,000,000

8.6 per cent. Deposit Notes  
due 8th March, 1991

Linked to the Nikkei Stock Average

New Japan Securities Europe Limited Bankers Trust International Limited

Bank of Yokohama (Europe) S.A. Daishin Securities Co., Ltd.

IBJ International Limited Wood Gundy Inc.

**The Hongkong and Shanghai Banking Corporation**  
(Incorporated in Hong Kong with limited liability)

U.S. \$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES  
(SECOND SERIES)



Notice is hereby given that the Rate of Interest has been fixed at 8.625% and that the interest payable on the relevant Interest Payment Date June 8, 1990 in respect of \$5,000,000 nominal of the Notes will be \$110,211 and in respect of \$100,000,000 nominal of the Notes will be \$2,204.17.

March 8, 1990, London  
By: Citibank, N.A. (Citi Dept.), Agent Bank

**CITIBANK**

U.S. \$275,000,000

U.S. \$200,000,000 has been issued as the Initial Tranche

**The Bank of New York Company, Inc.**

Floating Rate Subordinated Capital Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 8.5% p.a. and that the interest payable on the relevant Interest Payment Date, June 8, 1990 against Coupon No. 18 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$217.22.

March 8, 1990 London  
By: Citibank, N.A. (Citi Dept.), Reference Agent

**CITIBANK**

## INTERNATIONAL CAPITAL MARKETS

### Australian watchdog hits at corporate regulation

By Chris Sherwell in Sydney

A POWERFUL attack on the "politicisation" and confused future of Australian corporate regulation has come from Mr Tony Hartnell, chairman of the new Australian Securities Commission, the watchdog which is to replace the existing National Companies and Securities Commission.

His comments, to the Commercial Law Association in Victoria, come at a crucial time. The federal election has precluded essential amendments to legislation establishing the ASC, jeopardising its scheduled July start-up. Furthermore, the business sector is alarmed at the deteriorating image of the country's regulatory standards.

The core problem is the failure of Australia's federal and state governments to agree on a simple and effective institutional structure for corporate regulation. The new ASC is intended to be a single national agency rather than a co-operative one like the NCSC - in trouble because of objections,

recently accepted by the High Court, from three states.

Jumping into the controversy, Mr Hartnell condemned the failure to develop "an Australian position" when all the pressures were to regulate according to international standards. He pronounced himself "strongly opposed" to any renewed split in responsibilities for corporate regulation.

In particular, he drew attention to the fundamental difference between the present situation, where a council of government ministers exercised total oversight and control of the NCSC, and the ASC's status as an independent statutory corporation reporting to parliament and taking decisions independently of political direction.

In one pointed remark concerning the troubled Bond group of companies, he declared: "The overlay of politics in the present scheme has clearly been demonstrated in recent times by the politicisation of the decision to appoint

## INTERNATIONAL APPOINTMENTS

### Hypo-Bank chairman to be next FAGB president

THE BOARD of directors of the Federal Association of German Banks has designated Mr Eberhard Martini, chairman of Bayerische Hypothek- und Wechselbank (Hypo-Bank), as the next FAGB president to take over from Mr Wolfgang Röllner, chief of Dresdner Bank, West Germany's second largest bank.

Hypo-Bank is a Munich-based commercial and mort-



Eberhard Martini

gage bank and West Germany's fifth largest publicly traded bank.

The Association is scheduled to elect the new president at its annual membership meeting on April 27.

A unanimous vote by the board of directors has made it virtually certain that Mr Martini will succeed Mr Röllner, whose three-year term as president is expiring. Mr Martini had been widely rumoured to be top candidate for the post.

### Former SEC chairman joins leading law concern

MR DAVID S. Ruder, former chairman of the US Securities and Exchange Commission, has joined Chicago-based Baker & McKenzie, one of the world's largest law firms, as a partner concentrating on corporate and securities matters.

Mr Ruder served as the 23rd chairman of the SEC from August 1987 to last September. He became a professor at Northwestern University School of Law, where he was a member of the faculty from 1981 to 1987.

He taught courses in corporate and securities law, and was author of many articles in those fields. He served as Dean of the law school from 1977 to 1985.

He will still teach and participate in activities at Northwestern on a reduced basis.

Mr Ruder is also a director of NOKIA DATA, a leading information technology company in Scandinavia and former part of the Finnish Nokia industrial conglomerate, has appointed Mr Ruder as senior executive vice president for operations. He will be elevated to Nokia Data president at the start of next year.

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### Changes at the top at Mitsubishi Trust

MITSUBISHI Trust and Banking, a leading Japanese trust bank and a core member of the Mitsubishi Group, is to promote Mr Hiroshi Hayashi from deputy president to the post of president, succeeding Mr Takaji Shidachi.

Mr Shidachi will become chairman, replacing Mr Tadashi Yasui, who will take on the role of senior adviser.

The appointments will be formalised at a board meeting scheduled for March 28.

Mr Hayashi, 59, joined the bank on graduation in 1957 from the University of Tokyo. He has served as general manager of the bank's London branch and as a senior managing director of the corporation.

WESTPAC Banking, the largest Australian bank, appointed Mr Frank J. Conroy to a newly created position of chief operating officer and also as a director of the bank.

Mr Conroy will be responsible to the managing director, Mr S.A. Fowler, for the management of the group's retail, corporate and international banking operations.

Some further appointments related to these activities reporting to Mr Conroy will be confirmed in the near future.

### Bahrain attacks banking rules

By Hunter Reynolds in Bahrain

THE 1988 Basle accord on capital adequacy for banks has come under fire for placing most Gulf states in a high-risk category.

Sheikh Ebrahim Khalifa al Khalifa, deputy governor of the Bahrain Monetary Agency, said at a meeting of bankers: "Regrettably, the Group of Ten has decided to apply a higher risk rating to loans extended by banks in their countries to almost all non-OECD countries. It does not reflect reality and discriminates against a country like Bahrain."

However, Sheikh Ebrahim

indicated that the Basle ratio would be introduced by the Bahrain Monetary Agency for Bahrain-based banks.

Under the terms of the accord, which comes into effect in January 1992, high-risk countries will have to cover 8 per cent of the value of the loan in the form of increased capital or provisions. The rule will increase the cost of borrowing for Arab governments and institutions.

The increased risk rating is said to reflect the higher transfer risks. However, the Bahrain official pointed out that

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

IS BELLAS							Closing prices on March 7						
		Change on March 7							Change on March 7				
IS BELLAS	Yield	Mid	Offer	Day	Week	Yield	IS BELLAS	Yield	Mid	Offer	Day	Week	Yield
Algeria 5 1/2 %	750	96 1/2	96 1/2	0	0	9.59	Canada 5 1/2 %	50	95 1/2	95 1/2	0	0	9.22
Algeria 6 1/2 %	400	100 1/2	100 1/2	0	0	9.59	Canada 6 1/2 %	50	95 1/2	95 1/2	0	0	9.22
Austria 9 1/2 %	100	101 1/2	101 1/2	0	0	9.00	C.L. France 5 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	125	94 1/2	94 1/2	0	0	9.24	C.L. France 6 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	150	99 1/2	100 1/2	0	0	9.26	C.L. France 7 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 8 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 9 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 10 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 11 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 12 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 13 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 14 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 15 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 16 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 17 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 18 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 19 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 20 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 21 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 22 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 23 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 24 1/2 %	50	95 1/2	95 1/2	0	0	9.07
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B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 26 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 27 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 28 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 29 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 30 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 31 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 32 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 33 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 34 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 35 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 36 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 37 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 38 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 39 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 40 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 41 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 42 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 43 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 44 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 45 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 46 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 47 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 48 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 49 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 50 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 51 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 52 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 53 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 54 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 55 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 56 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 57 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 58 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 59 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 60 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 61 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 62 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 63 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 64 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 65 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 66 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 67 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 68 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 69 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 70 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 71 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 72 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 73 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 74 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 75 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 76 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 77 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 78 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 79 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 80 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 81 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 82 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 83 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 84 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 85 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 86 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 87 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 88 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 89 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 90 1/2 %	50	95 1/2	95 1/2	0	0	9.07
B.F.C.E. 9 1/2 %	250	99 1/2	100 1/2	0	0	9.26	C.L. France 91 1/2						

## INTERNATIONAL CAPITAL MARKETS

## US-style fixed mortgage market opens in London

By Stephen Fidler, Euromarkets Correspondent

THE first attempt to open a US-style fixed-rate mortgage securities market in London was launched amid controversy yesterday by Bear Stearns, the US securities house.

The issue for the firm's mortgage subsidiary is the first fixed-rate issue in the UK to be backed by fixed-rate mortgages. Two previous fixed-rate mortgage issues for the House of Mortgage Corporation, the specialist UK lender, late in 1988 and early in 1989, financed floating-rate mortgages and carried a special structure to allow investors a repayment of all the issue at maturity.

By contrast, the Bear Stearns issue, to be rated AAA by Standard & Poor's - is a so-called pass-through, where interest payments and any early repayments of principal on the underlying mortgages are "passed through" to investors on a monthly basis.

UK investors are not accustomed to managing the risk of

early repayment that such pass-through structures carry, although the concept is well understood in the US. Some British investors do not like the monthly repayments.

The issue is for almost £100m, with a final maturity in 2017, a coupon of 11% per cent and an issue price of 94 - significantly below par because of the rise in yields which have taken place since the mortgages were originated.

Bear Stearns de Zoete Wadd, which led the eight-strong underwriting group, said it would maintain a yield spread over the 9 per cent UK government rate of 150 basis points for the life of the issue, which it did not specify.

This provided a pick up of something like 55 basis points over high-rated corporate issues - the reward for the risk of prepayment or, looked at another way, the cost of being provided by investors to the mortgage borrowers in case interest rates fell.

While an underwriting group was put in place, it did not cover the whole issue, and Bear Stearns took the largest underwriting position. UBS Phillips & Drew, in the underwriting group, is understood to have declined the lead underwriting position having failed to canvass sufficient support at the proposed yield.

Based partly on US statistics, Bear Stearns has calculated an average life of 9.95 years for the securities, a calculation which was proving controversial yesterday.

Some followers of the market said they believed the actual average life would be significantly shorter than that, reducing significantly the premium over gilts, which yield more in shorter maturities. Their view was partly based on the expectation that once floating-rate mortgages fell below the fixed rate, holders would refinance their fixed rate mortgages, given there would be no penalty.

## Bunds buffeted by hectic futures trading

By Andrew Freeman in London and Anatole Kaletsky in New York

THE German government bond market had a mixed day yesterday, as technical positioning by traders on the futures market dominated restrained activity on the cash market.

The expiry of the March bond contract led to busy trading in the June contract

## GOVERNMENT BONDS

which saw well over 40,000 lots traded. It opened at 80.55, reached a high of 81.10 and then settled around 81.05 towards the close, a gain of around 50 pennings.

The perception that the June future was cheap against the cash market caused many investors to sell bonds and buy the future, pushing bond prices down at the morning high. The 7% per cent bond maturing 2000 was fixed at 82.08, down 9 pennings to yield 8.99 per cent.

Later in the day, the market turned upwards, rallying around 25 pennings across the board as traders reacted to the steady sentiment in the futures

## BENCHMARK GOVERNMENT BONDS

	Coupon	Yield	Price	Change	Yield	Week	Month
UK GILTS							
10.000	4.85	81.05	+0.05	12.52	12.57	12.51	
10.300	5.00	80.55	+0.05	12.52	11.69	11.55	
9.000	5.00	80.55	+0.05	12.52	11.14	10.74	
US TREASURY							
8.500	8.00	80.18	+0.02	8.87	8.43	8.25	
8.000	8.00	80.18	+0.02	8.87	8.43	8.25	
JAPAN							
No 118	4.000	80.55	+0.05	7.22	7.54	6.88	
No 2	5.700	80.55	+0.05	7.22	7.54	6.88	
GERMANY							
7.125	12.00	80.55	+0.05	8.82	8.70	7.77	
FRANCE							
STAN	8.000	10.94	80.55	+0.05	10.77	10.88	10.39
CAT	8.125	6.98	80.55	+0.05	10.28	10.11	9.71
CANADA							
8.250	12.00	80.55	+0.05	10.72	10.60	10.03	
NETHERLANDS							
7.500	11.00	80.55	+0.05	8.16	8.95	8.41	
AUSTRALIA							
12.000	7.00	80.55	+0.05	13.46	13.28	12.88	

London clearing, "Government New York morning session  
Yields: Local market standard  
Prices: UK, US, Japan, France, Germany, Canada, Netherlands, Australia

Technical Data/ATLAS Price Service

market. The debut floating-rate auction by the Bundesbank was judged a success with DML60m issued at prices of par and above. The deal, which will be rounded up to DM20m by the Bundesbank, was trading around 100.01 bid.

In the Netherlands, the new tender system for government bonds had an unsatisfactory start, although prices across

the board improved slightly in line with the German market.

The issue of FI 500m on Tuesday evening implied a disappointing response from investors. A tap of around FI 200m was issued yesterday, taking the total issue size to around FI 1.1bn, well below the level hoped for by the Government.

In New York, bond prices were almost unchanged across

the yield spectrum in a dull and confusing morning session, as traders remained sharply divided about the implications of the continued strength of the dollar.

At lunchtime, the Treasury's benchmark long bond was quoted at 89 1/2, to yield 8.58 per cent. Other maturities were also virtually unchanged. Federal funds were somewhat firmer than expected in the morning, at 8 1/2, so analysts were not surprised when the Fed added liquidity through one-day system repurchase. The repos had no policy significance, the market agreed.

The morning's main event was the concerted and highly public intervention against the dollar in the foreign exchange markets. The Federal Reserve had reported that in New York selling dollars for both yen and D-Marks. However, the intervention seemed to have little effect and the dollar continued to defy central banks' apparent efforts to keep it below Y151 and DM170.

The UK government market rallied enough to recover Tuesday's late losses, but most gilts

looked vulnerable against a background of nervous sentiment. The benchmark 11% per cent gilt maturing 2003-07 gained around 1/4, rising above par to trade at 100.02, yielding 11.74 per cent. Other issues were around 1/4 point better or little changed from overnight levels.

Analysts looking for crumbs of comfort noted that prices held steady in spite of the renewed weakness of sterling in the afternoon. However, the pervasive political uncertainty was judged as the largest risk factor overhauling the market. There was average activity on the futures market, where the June contract rose as high as 83.08 before moving back towards Tuesday's close at around 82.25.

In Japan, the No 119 benchmark continued the fall begun in London and traded down 1/2 point in price to yield 7.20 per cent. Fears of an imminent hike in the Japanese discount rate continued to dominate sentiment, with traders divided as to whether this would stabilise the yen on foreign exchange markets.

## Tokyo and Liffe agree on futures

By Andrew Freeman

THE London International Financial Futures Exchange and the Tokyo Stock Exchange completed yesterday a so-called memorandum of understanding, outlining the basis for future co-operation over Japanese government bonds (JGB) futures contracts.

The move will begin work reviewing the JGB contract to bring it into line with the TSE's contract, to enable investors to overcome problems caused by differences in existing instruments.

The Liffe contract, launched in 1985, is settled with cash. The TSE contract allows for physical delivery. Liffe hopes to allow investors to run a single position between the two exchanges and aims to achieve this by attaining physical delivery and ironing out administrative differences.

## Regulation 'plays small role in bank location'

By David Lascelles, Banking Editor

LEVELS of regulation probably play a smaller role than is often thought in influencing where financial institutions locate their operations, according to Mr Peter Cooke, former chairman of the Bank Committee of International Banking Supervisors.

Mr Cooke, who now heads a regulation advisory group at Price Waterhouse, the international accountancy firm, says this is one of the more unexpected findings of a survey published yesterday, which was conducted by the firm into banking and securities regulation in Europe.

Mr Cooke said that other considerations like tax and "being seen in the right place" were very important.

The survey of 135 leading financial institutions with operations in Europe showed one of the main concerns among senior management is that regulation should create more competitive equality.

However, where an interna-

tional regime has been established for banking, considerable work still needs to be done to improve international co-ordination of securities regulation.

The survey produced a mixed response on whether regulation should be conducted by type of institution or by function, with some respondents favouring one or the other, or a combination of both. The survey comments that this finding will not be of help to regulators who are examining ways of co-ordinating banking and securities regulation.

More than half the respondents said they believed the UK regulatory environment for banks was about right, but 60 per cent thought it was restrictive for securities firms.

Banking and securities regulation in Europe: a survey of senior management's views. Price Waterhouse, No 1 London Bridge, London SE1 9GL. Tel: 01-578 7200

## Spread raised on European Investment Bank deal

By Norma Cohen

EUROPEAN Investment Bank ventured into the Ecu sector of the European market, becoming the first borrower to raise medium-term funds in that currency since late January.

Significantly, the spread on the bonds, which were syndicated on a fixed-price re-offer

## INTERNATIONAL BONDS

basis, was raised from the intended level at launch after lead manager UBS-Phillips & Drew found poor demand at the price take level.

The move by the issuer to raise the spread two basis points from its intended level accounted for the favourable reception, in contrast to an earlier Eurobond offering by Italy. The EIB issued a Eurobond seven-year Eurobond bearing a coupon of 10 per cent and priced at 94.80 to yield 18 basis points over the French government's 8% per cent OAT due

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Face	Book number
EUROPEAN INVESTMENT BANK	300	10	94.80	1997	30/25bp	UBS Phillips & Drew
US DOLLARS						
SMC Corp.	300	2 1/2	100	1994	2 1/4	Nikko Secs. (Europe)
Industrial Bank of Japan (b)	100	6.50	102	2000	2 1/4	IBJ Int.
CRUI Corp. Ltd (b)	100	6.50	102	2000	2 1/4	UBS Phillips & Drew
Marubeni Finance NV (b)	70	5 1/2	101	1993	1 1/4	Delmas Europe
State Bank Australia (b)	14.7	12 1/2	101 1/2	1991	1 1/4	Nomura Int.
Hosono Corp. (b)	200	5 1/2	100	1994	2 1/4	Delmas Europe
CANADIAN DOLLARS						
CIBC-Longdon Bank (b)	100	10 1/2	101 1/2	1992	1 1/4	Wood Gundy
STERLING						
Bear Stearns M'gnt Secs. (b)	124	11 1/2	94	2017	1/2	SWW
SWISS FRANCES						
IBM Int. Finance (b)	125	8	101	1993	n/a	Credit Suisse
PERSTAS (b)	150n	13.00	100	2000	1 1/4	Banco Hispano Americano
YEN						
Toronto-Dominion Bank (b)	7 1/2bn	10 1/2	100 1/2	1991	1/2	Toyo Trust Int.

1997. While the issue's price had indicated a spread of 14 to 16 basis points, demand for the bonds at that level appeared weak. Both underwriters and investors told the lead managers that a spread of 18 to 20 basis points would be more acceptable.

Taking market factors into consideration in pricing is the key to restoring profitability to

Eurobond markets, dealers said, noting that simply using the fixed-price re-offer mechanism is not enough.

Meanwhile, the price on Republic of Italy's Eurobond rose sharply yesterday to 99.80, in line with a rise in US Treasury. However, the spread on the bonds remained at 61 basis points, outside the 57% basis point launch spread.

Salomon Brothers defended its handling of the Italy issue by noting that co-lead managers still made a few basis points on the deal which traded inside fees.

The EIB also issued a Ptalbn 10-year matador bond bearing a coupon of 13.90 per cent, the highest coupon on any such issue since the market opened in June 1987. It quoted comfortably inside its 1% fees at 1% bid.

Canadian Imperial Bank of Commerce's London Branch issued a C\$100m two-year Eurobond via Wood Gundy bearing a coupon of 13% per cent and priced at 101%.

## LONDON MARKET STATISTICS

Source: The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

ET-ACTUARIES SHARE INDICES

Figures in parentheses show number of stocks per section

Wednesday March 7 1990

Index No. Day's Change %

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## Surge in profits prompts 20p rise in share price to 422p BICC advances 29% to £201m

As at 3/3 was USS 334.18  
Listed on the Amsterdam  
Stock Exchange  
Information:  
Pleson, Holding & Pleson NV

Information:  
Pierson, Holding & Pierson NV

## UK COMPANY NEWS

Two large acquisitions underpin strong growth  
**Ultramar more than doubles to £102.2m**

By Steven Butler

ULTRAMAR, the diversified oil and gas group, yesterday reported strong growth in earnings for 1989, with operating profits more than doubling from £46.4m to £102.2m.

The rapid growth was underpinned by two large acquisitions completed in late 1988, resulting in higher oil and gas production and greater refinery throughput, as well as by higher oil and gas prices.

Sales revenues rose by £680.6m to £1.78bn. Earnings per share were up from 15.1p to 27.9p. The final dividend is raised to a proposed 9p (5p) for a total of 36.9p - an advance of 20 per cent.

The shares closed 5p down at 364p.

Oil production rose 5 per cent to a record 104,800 barrels per day of oil and oil equivalent, of which 28,000 b/d were liquids. The Indonesian part of the business sold 147 cargoes of liquefied natural gas (LNG), an increase of two from the previous year.

North Sea production reached 12,900 b/d last year, and is expected to increase again this year as the Ravenspurn North gas field starts production in October.

Throughput at the Quebec refinery was restrained by maintenance and upgrading work last year, and fell to 94,500 (101,700) b/d. However, the overall output rose 3 per cent to 194,500 b/d, and profits at the Eastern Canada operation rose from £58.6m to £81.6m, including stock gains.

The US downstream operation in California also showed strong gains with the Wilmington refinery acquired in late 1988, contributing for a full year for the first time. Profits rose from £9.7m to £49.6m. Mr John Darby, chairman, said



Jean Gaultin (left), chief executive, and John Darby, chairman

margins at the refinery were higher than assumptions used at the time of the acquisitions. Mr Darby said that while group results would continue to be affected by unpredictable exchange rate and oil price movements, he expected the underlying businesses to continue to improve this year.

Group gearing fell by five percentage points to 73½ per cent at the end of the year. Mr David Eiton, finance director, said gearing would have been 3 points lower had the sale of certain Canadian oil and gas interests for £470m been completed by the year-end instead of in January.

Ultramar shares again look less interesting now that all the predators seem to have gone away - there are not

even any declarable stakes. This awful event, of course, did not cause a collapse of this share price, and yesterday's results show why. The 1988 acquisitions that depressed Ultramar's share price have all turned out far better than anyone gave them credit for at the time, and 1990 will continue to see the benefits of those deals, plus additional earnings from the new Indonesian LNG plant. With profits this year expected at about £120m, leading to a prospective p/e of 11, the shares look fairly valued at just above the market average. But watch out later this month when bids are opened up for the Huddington minority interest in Ultramar's Indonesian joint venture. If they fall much below inflated expectations of £1bn, Ultramar could be the loser.

## Staff merger helps Daily Telegraph to 42% rise

By David Churchill, Leisure Industries Correspondent

THE DAILY Telegraph, the privately-owned newspaper group headed by Canadian Mr Conrad Black, yesterday announced a 42.1 per cent increase in pre-tax profits for the year ending December 31 1989 to reach a record total of £41.5m.

Turnover rose by 11.4 per cent, from £210m to £234m. The improved financial performance was helped by the merger of the staff of the Daily Telegraph with those of the Sunday Telegraph.

Mr Black said that "six days of the week our circulation is almost triple that of our nearest competitor," and claimed that the Daily Telegraph's Saturday edition "seems about to equal or surpass the Sunday Times and become Britain's largest selling quality title."

Mr Black added that the Sunday Telegraph was apparently about to emerge as a strong second in a field of five, having started 1989 third in a field of three.

Earlier this year the company was involved in a bitter public dispute with Mr Andrew Knight, its former chief executive, who accepted the post of executive chairman with News International.

Earnings per share rose from 22.5p to 30.7p.

A final dividend of 4p is proposed, making a total for the year of 35p, including a one-off special dividend of 24p arising out of the company's sales of its shares in Reuters Holdings.

## Eagle Trust to sue seven former directors

By John Thornhill

EAGLE TRUST, the mini-conglomerate at the centre of a Serious Fraud Office investigation, has issued a High Court writ against seven of the company's former directors seeking damages for breach of duty and trust.

The seven directors are Mr Leslie Thomas, Mr Richard Smith, Mr Martin Baker, Mr Robert Black, Mr Donald Hardwick, Mr Hamish Janson and Mr Clive Whitley.

Mr John Ferriday, Eagle Trust's former chairman who is currently a fugitive of the

law, was not named in the writ yesterday because similar proceedings had already been launched against him in November 1989.

Eagle Trust said that it was suing the seven directors over several matters but in particular in connection with the company's involvement in Eagle Express, a parcel delivery subsidiary, and LaForma, a car manufacturing venture.

Eagle Express was put into liquidation last July after incurring losses of £36m, while LaForma was sold for a nominal sum of £1 last

month. All seven directors were on the board of Eagle Trust at the time of the release of its 1987 annual report and accounts.

One of the claims that will be made in the action relates to the payment of allegedly unlawful dividends following the directors' approval of this report.

This latest legal move follows less than two weeks after Eagle Trust announced that it was suing Swiss Bank Corporation for £13.5m in connection with sub-underwrit-

ing commitments made in 1987 to fund the purchase of Samuelson, a film and television services company.

SBC has said that it would vigorously contest the writ. Mr David James, Eagle Trust's current chairman, said yesterday that the company was considering launching further legal actions in the next few months.

Eagle Trust will today publish its long-delayed annual report for 1988 which is expected to shed more light on the problems relating to the company's losses of £54m.

## First Technology may return with £26m bid for Ricardo

By Nikkai Tait

THE BATTLE over the future of Ricardo, the Sussex-based engines and transmission designer, intensified yesterday as former proprietor First Technology offered to make a new £26m all-share bid.

This sets up an alternative to the recommended merger between Ricardo and SAC International, a Bristol-based engineering services group. The matter will come to a head at Monday's AGM, when Ricardo shareholders are being asked to approve the proposed all-paper acquisition of SAC.

First Technology confirmed yesterday it will vote against the deal. If the resolution is defeated, it said it will repeat its counter-proposal, a paper bid worth 180p per share, to Ricardo.

If hung on to a 14.9 per cent stake in Ricardo in the wake of an unsuccessful £25m bid just under a year ago, that won acceptance from holders of only 41 per cent of the shares, offering either 145.26p in cash

or 20 First Technology shares for every 57 Ricardo.

First Technology, which would see its share stake diluted to only 7 per cent if the SAC-Ricardo deal goes through, made its opposition to the merger public last week. Yesterday, it repeated criticisms that SAC and Ricardo have "different businesses with different customer bases", claiming that it was essentially "a reverse takeover of Ricardo by a weaker company at no premium".

Dr Fred Westlake, chairman, said his new bid proposal was first put to Ricardo and its advisers on Tuesday evening, with the pre-condition that Ricardo recommended the deal. By noon yesterday, it had been firmly rejected.

Explaining its decision, Ricardo noted the "resounding rejection" of First Technology's bid last year, and said that an offer at 180p fell far short of the necessary premium for control. It claimed again that

the merger with SAC would create "a larger, stronger group better able to respond to the demands of its changing market-place."

In practice, Monday's decision is likely to rest with about half a dozen institutions, which have stakes around the 46 per cent level.

First Technology shares eased 5p to 450p, while Ricardo gained 15p at 155p, and SAC 2p at 115p.

## Lawtex in the red

Lawtex, the Oldham-based umbrella, leisurewear and babywear maker, slipped £83,000 into the red in the half year ended December 30 1989. In the comparable period, profits were £215,000.

Turnover fell to £8.1m (£8.5m). The loss per share was 2.2p (5.3p earnings). There was no dividend (0.5p).

## Braithwaite warns of second half downturn

By David Owen

Braithwaite, the industrial services group whose chief executive, Mr Andrew Fittis, last year headed a consortium which briefly planned to invest in Eagle Trust, yesterday warned shareholders that second half profits were likely to be considerably below first half levels.

The company blamed "unusually mild" winter weather for the setback. As a result, "the expected seasonal contribution" from Andrews Sykes, the specialist equipment hire and distribution unit would be sharply lower.

According to Mr Stuart Ross, finance director, the group's heating business "has not been as good as budgeted or reasonably expected" owing to the mild weather.

In the six months to September 30, pre-tax profits rose 44 per cent to £2.62m on turnover of £33.2m, in spite of higher interest charges. Profits for the year ended March 31 1989 totalled £5.53m on turnover of £59.3m.

## Fairey jumps 43% to £12.53m

By Vanessa Houldier

FAIREY GROUP, the specialist engineering company, yesterday announced that it had raised pre-tax profits by 43 per cent from £8.7m to £12.53m in 1989, its first full year on the stock market.

The company considered that these results merited a higher final dividend than expected at the time of the flotation in November 1988 and recommended a final of 3p, making a total of 7.4p.

Mr Derek Kingsbury, chairman and chief executive, said the group faced 1990 with confidence, although it was conscious of the potential impact of inflation and interest rates on industry in general.

About half the profit came from overseas and much of Fairey's UK business was counter-cyclical in that it was

linked to civil aerospace and the national grid refurbishment programme, he said.

A 24 per cent rise in operating profits reflected strong performance from the electronics and electrical power and the filtration and specialist ceramics divisions, offset by lower profits at the aerospace and defence division.

Profits at this division fell from £2.92m to £1.46m, reflecting restructuring costs and declining work for the Tornado aircraft. The division closed a factory and reorganised its management team as it attempted to address a wider range of defence markets. Mr Kingsbury said the restructuring was now behind it.

Although it was premature to comment on how changing defence requirements would

affect the business, "we are broadly enough based that we do not see ourselves as being desperately vulnerable," he said.

Profits at the electronics and electrical power division rose from £4.1m to £6.2m on turnover of £20.57m (£21.04m), due in particular to a strong performance from Red Lion Controls. The filtration and specialised ceramics business increased its profits from £2.6m to £2.31m, fuelled particularly by demand for ceramic cores for gas turbine blades and filtration systems.

There was positive cash flow of £7.5m, which left the group with funds of £6.6m. Interest receivable was £220,000, compared with last year's charge of £1.75m. Earnings per share increased from 17.5p to 24.7p.



## HEYWOOD WILLIAMS GROUP PLC

"Another year of record trading for the Group.

Despite the constraints enforced by the general economic conditions in which we operate, I expect the company to continue to perform well, and to move ahead strongly when interest rates fall."

Ralph Hinchliffe, Chairman  
7 March, 1990

## Results - Full Year 1989

	1989	1988
Turnover	£306m	£282m
Pre-tax profit	£31.0m	£30.3m
Earnings per share	32.8p	32.7p
Dividend	12.5p	11.5p



GLASS, ALUMINIUM AND PLASTIC SPECIALISTS

Copies of the report and accounts are available from the Secretary, Heywood Williams Group PLC, Waverley, Edgerton Road, Huddersfield, West Yorkshire, HD3 3AR.

B A L F O U R B E A T T Y B I C C C A B L E S

# BICC

## DELIVERING CONTINUOUS EARNINGS GROWTH.

The BICC Group's excellent record of earnings growth continued in 1989. For the third year in succession, earnings per share have risen by more than 20% and now stand at more than double the level of 1986.

EPS	up 29% to £3.792m.
EPS	up 29% to £201m.
EPS	up 21% to 46.3p.
EPS	up 19% to 19p.

## BICCGroup

Engineering Tomorrow's World

## UK COMPANY NEWS

## Cowie braked by interest charges

By Jane Fuller

T. COWIE, the motor dealer and fleet operator, saw pre-tax profits for 1989 cut to £16.1m after a 70 per cent increase in interest payments.

The £3m profits fall came on turnover up 19 per cent to £549.91m. Before interest, profits were 14 per cent higher at just over £54m.

Three quarters of the £37.57m (£22.32m) interest bill fell on the finance division which includes the contract hire of 51,000 vehicles. Bought with borrowed money, they are supplied at a fixed rent for two or three years.

Mr Tom Cowie, chairman, said: "We suffer as interest rates go up, but once they come down you have the business that you pulled in at the higher level." He estimated that every 1 per cent fall in the interest rate would put £2.2m on the company's bottom line.

The finance division's contribution to profits fell to £8.97m (£13.57m) on turnover ahead to £181.65m (£145.47m). Mr Cowie said it had also suffered from rivals bidding for fleet contracts at "suicidal rates." But prices had since come "more into line with ours."

More than half of group turnover came from motor dealerships in a year of record sales. Cowie holds 16 franchises including four each for Ford and General Motors. With profits in the division falling from £6.44m to £5.15m, margins were down from 2.5 per cent to 1.8 per cent. Mr Cowie said conditions continued to be difficult because new car sales were likely to fall from 2.3m to little more than 2m in the current year.

The company had closed three dealerships which he said would have been difficult

to bring up to the standard required by the vehicle manufacturers.

But that was only pruning compared with the "major surgery" in the short-term rental wing, where disposing of part of the commercial vehicle fleet and halving the number of staff had cost more than £5m. The division registered a loss of £3.15m.

While the agricultural division turned in a modest £441,000 profit, brighter spots were the trading of the contribution from the Hughes DAF bus and coach distributor to £2.18m and a near-doubling on property to £1.96m.

Fully diluted earnings per share fell to 10.87p (16.51p). A proposed final dividend of 3p makes a total of 4.2p (5.2p) for the year.

## COMMENT

Cowie's debt of £319m makes starkly clear its vulnerability to interest rates, with this year set to be significantly worse than last. So with several million likely to be added there, the question is: what can be counted back in? Well, the £3m short-term rental loss was a one-off, as were dealership closure costs. And the underlying performance should improve because of more contract hire business at better rates and because the fall in used car values seems to have bottomed out. But these swings and roundabouts leave a wide range of profit forecasts, from £12m to £18m with a prospective p/e of 4.5 to 6.5. Those tempted to take a gamble can cite a prospective yield of more than 10 per cent, the prospect of falling interest rates and Mr Cowie's lack of aversion to listening to a bidder.

## Hartwell attacks Jameel's 'gimmick' loan note facility

By John Thornhill

THE STRUGGLE for control of Hartwell intensified further yesterday as the Oxford-based motor group criticised the Jameel Group's latest offer document.

The Saudi Arabian Jameel Group, which is bidding £172.4m for Hartwell, has offered the company's shareholders a special facility to enable them to exchange their shares for loan notes equivalent to the 155p per share cash offer. This, Jameel claimed, would allow shareholders to mitigate any capital gains tax liability.

But Hartwell yesterday dismissed the special facility as "a gimmick which smacks of desperation." It claimed that the loan notes would not be listed and would carry interest at 1 per cent less than LIBOR.

It added that the loan notes could not be redeemed before 1992 and offered little opportunity for capital gains tax mitigation. Jameel contested these claims.

The takeover battle has been

marked by increasing hostility between the two sides and looks set to be a close-run struggle. Jameel speaks for about 94 per cent of Hartwell's shares and 83 per cent of its convertible preference shares. Its offer closes next Monday.

The intriguing possibility emerges that Jameel might not succeed in winning outright control of over 50 per cent of Hartwell's ordinary shares but could effectively win deferred control of the company.

Jameel has already declared an offer for Hartwell's convertible shares unconditional and the conversion of these shares in 1992 could push Jameel's holding of Hartwell's ordinary shares above the 50 per cent level.

In this hypothetical event, it is likely that Jameel would be required to make a renewed offer for the remaining ordinary shares in the company.

Hartwell's shares were unchanged at 155p yesterday, marginally above the 153p the Jameel offer is worth.

## Downturn to £51,000 at Electronic Machine

ELECTRONIC Machine Company, which is rationalising into a business services group, announced pre-tax profits of £51,000 for the year to September 30 1989.

The outcome - which showed a decline from £58,000 last time - came on turnover of £3.23m (£2.63m).

Continuing businesses contributed sales of £3.04m (£2.58m) and trading profits of £12,000 (£9,700). Earnings fell to 0.59p (0.57p) but the dividend is maintained at 1p, the final being 0.7p.

Last August management changes saw Mr Jeffrey Gould become chairman, Mr Michael Woolley chief executive, and Mr Jeremy Smig finance director.

after the purchase of a 20 per cent interest in EMC by a company controlled by Mr Gould and Mr Smig.

Mr Gould said the rental and storage sectors in particular had been identified as potential profitable extensions of the group's activities, particularly as it would become increasingly difficult to achieve satisfactory growth from the previous reliance on the defence industry market.

The next accounts of the company which intends to change its name to EMC Group, will run to March 31 1991. The listing will remain suspended until after the shareholders' meeting on March 29.

## Strike costs Mersey Docks £3.4m

By Ian Hamilton Fazey, Northern Correspondent

THE NATIONAL dock strike last summer cost the Mersey Docks and Harbour Company £3.4m, reducing taxable profits for 1989 to £4.94m.

Announcing preliminary results yesterday, the company said operating profit was up almost 19 per cent to £8.64m on reduced turnover of £53.7m (£55.2m). Before the exceptional charge, the pre-tax figure was up 28 per cent on the

£5.5m of 1988.

In spite of losing turnover of £4.5m through the strike and the diversion of ships to the French, Dutch and West German ports in the run-up to it, Liverpool still handled a record 20.3m tonnes of cargo.

The strike followed the Government's decision to abolish the National Dock Labour Scheme, which guaranteed dockers' jobs by forbidding

compulsory redundancy.

Mersey men were first out and last back in the four-week dispute, but 300 agreed redundancy terms soon afterwards.

The company now employs 800 workers using modern stevedoring technology, compared with 4,000 in 1980.

Severance costs of £10.7m have been treated as an extraordinary item. This was reduced by £1.5m through the

write-off of a Government loan, so that when the dividend of £2.5m is added, the accounts show a retained loss for year of nearly £6.8m, almost balancing £6.5m profit in 1988.

The final dividend is 2.53p, making 4.15p for the year from earnings of £2.52 (10.77p). The dividends are the first since the Government rescued the business from financial collapse 20 years ago and follow the capital reconstruction last May, when the Government wrote off £11.1m of debts.

Directors said the significant changes of 1989 would have a positive effect on productivity and trade, so that the 1990s could be faced with confidence. Property development of redundant dockland continued with £2.0 and £2.0m.

The Government remains the biggest shareholder with 20.6 per cent. It intends to sell the stake, but not until the DTI completes inquiries into dealings in some of the shares associated with Mr David Abel, a former deputy chairman. See Observer.



# Ultramar

THE YEAR 1989

HIGHLIGHTS	1989	1988	
	£ million	£ million	Change
PROFIT FROM OPERATIONS	102.2	46.4	+120%
CASH FLOW FROM OPERATIONS	231.6	131.2	+77%
EARNINGS PER SHARE	27.9p	19.1p	+46%
NET DIVIDEND PER SHARE	9.0p	7.5p	+20%

## SUBSTANTIAL PROFIT IMPROVEMENT

- Profit from operations increased by 120% for the year.
- Cash flow from operations up 77% to a record £231.6 million.
- Oil and gas production increased 5% to a record 104,800 barrels of oil equivalent per day.
- Construction of the fifth LNG train at Bontang completed; production has now commenced.
- Successful North Sea appraisal drilling programme.
- First stage of Quebec refinery upgrading completed.

John Darby  
Chairman



ULTRAMAR PLC, 141 MOORGATE, LONDON EC2M 6TX

## \$12.5m buy for Life Sciences

LIFE SCIENCES International, the expanding scientific instrument manufacturer, is securing the acquisition trail in the US through the purchase of International Equipment Company for \$12.5m (£7.6m) cash.

Consideration for IEC, a Boston, Massachusetts-based manufacturer of low-speed centrifuges, is conditional on shareholders' approval and will be funded from the proceeds of a rights issue of 38.5m shares on a basis of 1-for-3 at 80p per share, raising a net £28.8m.

Mr Christopher Bland, chairman, said that as well as securing finance for the acquisition, the rights issue would eliminate net borrowings and provide the ability to exploit future acquisition opportunities.

The announcement was accompanied by the group's 1989 results which showed a 47 per cent increase to £9.03m (£6.13m) in pre-tax profits, achieved on turnover ahead 34 per cent from £43.55m to £58.28m.

Bland said that the return on sales improved to 16.7 per cent, reflecting improvement at the Shandon offshoot and the inclusion of Savant, acquired in December 1988, for a full year.

Earnings per 10p share rose to 6.3p (4.4p) and the recommended final dividend is raised to 1.5p (1.1p) for a total of 2.3p (1.6p).

Turnover rose 24 per cent to £58.28m (£46.13m). Tax was little changed at £47,000 (£45,000).

Pre-tax profits of Intem rose from £681,000 to £885,000 for the 1989 year. This USM-quoted company is involved in the application of computer technology to real-time systems for data acquisition, monitoring and control in scientific, technical and industrial markets.

Tax accounted for £508,000 (£393,000) and left earnings 1.4p higher at 6p per 25p share. The interim dividend is increased by 20 per cent to 1.5p.

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## NEWS DIGEST

Turnover improved to £28m (£17.7m) and earnings emerged 3.2p higher at 12.5p per 10p share. A final dividend of 1.5p makes a same-again total of 2.5p.

Westminster & Country downturn

A downturn at Westminster & Country Properties in the six months to October 31 saw pre-tax profits fall from £331,000 to £98,000. This followed full-year results from the property investor which were nearly trebled from £1.01m to £2.8m.

The interim dividend is halved to 1p.

Turnover came to £1.48m (£1.18m) after which there was a gross loss of £52,000 (£286,000 profit). Earnings per share came through at 3p (5.5p).

Mr Christopher Bland, chairman, said that as well as securing finance for the acquisition, the rights issue would eliminate net borrowings and provide the ability to exploit future acquisition opportunities.

The announcement was accompanied by the group's 1989 results which showed a 47 per cent increase to £9.03m (£6.13m) in pre-tax profits, achieved on turnover ahead 34 per cent from £43.55m to £58.28m.

Bland said that the return on sales improved to 16.7 per cent, reflecting improvement at the Shandon offshoot and the inclusion of Savant, acquired in December 1988, for a full year.

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## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY: Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Ind. prod.	Eng. order	Retail vol.	Retail value	Unemp.	Vac.
1989						
4th qtr.	109.9	114.7	29.3	126.4	2,191	26.4
1988						
4th qtr.	108.7	119.9	33.1	121.3	1,862	22.8
1st qtr.	108.3	119.5	32.8	120.7	1,824	22.4
2nd qtr.	111.1	120.9	35.5	121.7	1,762	22.3
3rd qtr.	109.2	119.5	36.8	121.9	1,894	22.5
January	110.1	119.8	35.7	122.4	1,717	22.3
February	110.8	119.1	34.7	120.7	1,828	22.3
March	108.5	118.8	34.1	120.3	1,816	22.4
April	108.2	118.8	34.0	120.4	1,787	22.4
May	108.2	118.8	34.0	120.4	1,787	22.4
June	110.1	119.5	34.8	120.8	1,768	22.4
July	111.9	120.1	35.5	121.4	1,694	22.7
August	112.1	120.1	35.5	121.4	1,694	22.7
September	112.1	120.1	35.5	121.4	1,694	22.7
October	112.1	120.1	35.5	121.4	1,694	22.7
November	112.1	120.1	35.5	121.4	1,694	22.7
December	112.1	120.1	35.5	121.4	1,694	22.7
1989						
January	121.8	125.6				

OUTPUT: By market sector: consumer goods, investment goods, intermediate goods (materials and basic); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s), monthly average.

	Consumer goods	Investment goods	Intermediate goods	Textiles etc.	Housing starts
1989					
4th qtr.	111.7	108.7	108.9	111.0	98.0
1st qtr.	114.2	113.7	108.2	114.9	98.9
2nd qtr.	114.2	113.7	108.2	114.9	98.9
3rd qtr.	114.2	113.7	108.2	114.9	98.9
January	114.2	113.7	108.2	114.9	98.9
February	114.2	113.7	108.2	114.9	98.9
March	114.2	113.7	108.2	114.9	98.9
April	114.2	113.7	108.2	114.9	98.9
May	114.2	113.7	108.2	114.9	98.9
June	114.2	113.7	108.2	114.9	98.9
July	114.2	113.7	108.2	114.9	98.9
August	114.2	113.7	108.2	114.9	98.9
September	114.2	113.7	108.2	114.9	98.9
October	114.2	113.7	108.2	114.9	98.9
November	114.2	113.7	108.2	114.9	98.9
December	114.2	113.7	108.2	114.9	98.9
1988					
January	114.2	113.7	108.2	114.9	98.9

EXTERNAL TRADE: Indices of export and import volumes (1985=100); value balance, current balance (Exp. at balance of trade terms of trade (1985=100); official reserves.

	Export volume	Import volume	Value balance	Current balance	Official reserves
1989					
4th qtr.	109.7	108.5	-4,307	-5,985	+422
1st qtr.	112.8	108.2	-4,037	-4,978	+329
2nd qtr.	112.8	108.2	-4,037	-4,978	+329
3rd qtr.	112.8	108.2	-4,037	-4,978	+329
4th qtr.	112.8	108.2	-4,037	-4,978	+329
January	112.8	108.2	-4,037	-4,978	+329
February	112.8	108.2	-4,037	-4,978	+329
March	112.8	108.2	-4,037	-4,978	+329
April	112.8	108.2	-4,037	-4,978	+329
May	112.8	108.2	-4,037	-4,978	+329
June	112.8	108.2	-4,037	-4,978	+329
July	112.8	108.2	-4,037	-4,978	+329
August	112.8	108.2	-4,037	-4,978	+329
September	112.8	108.2	-4,037	-4,978	+329
October	112.8	108.2	-4,037	-4,978	+329
November	112.8	108.2	-4,037	-4,978	+329
December	112.8	108.2	-4,037	-4,978	+329
1988					
January	112.8	108.2	-4,037	-4,978	+329

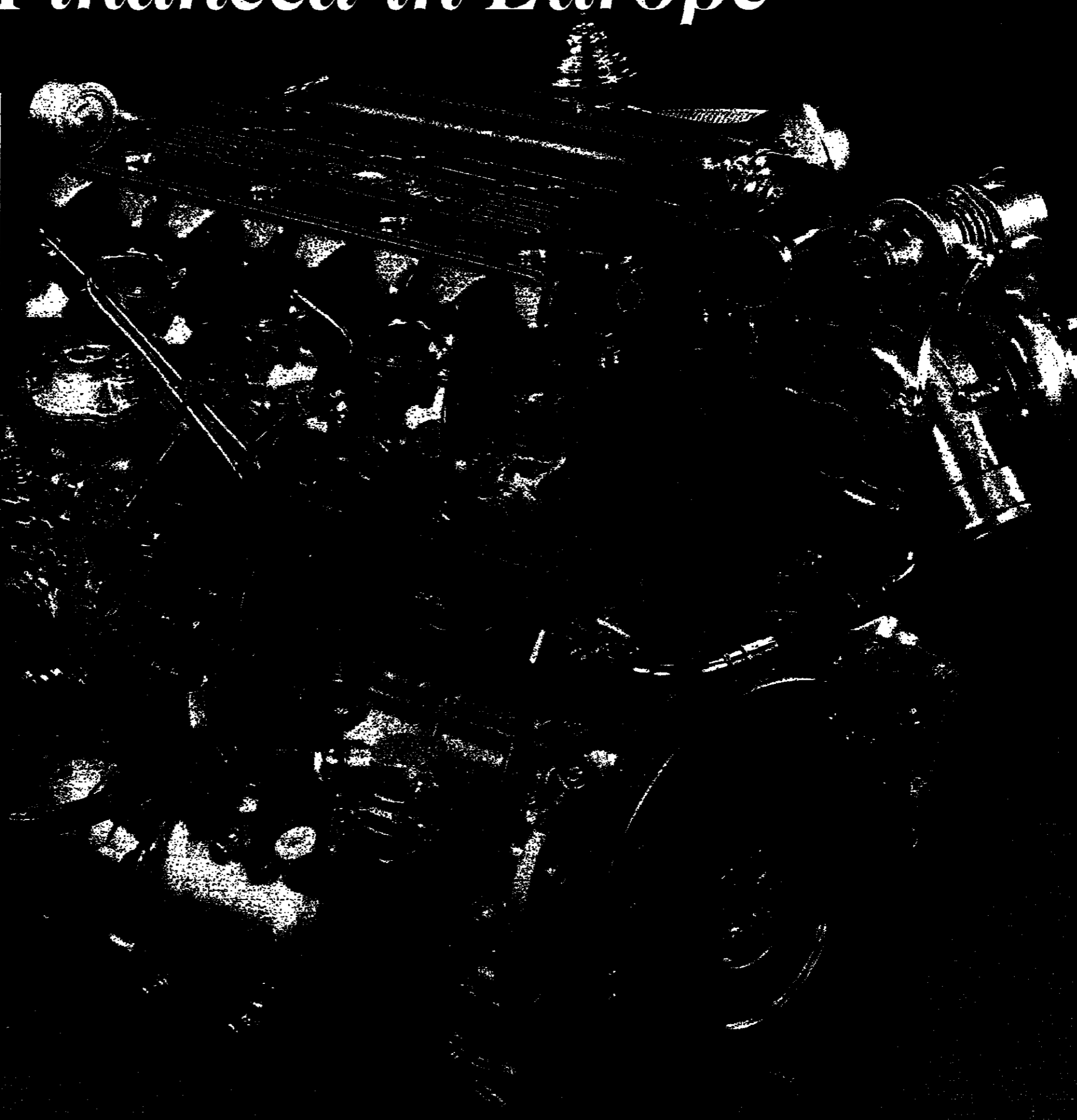
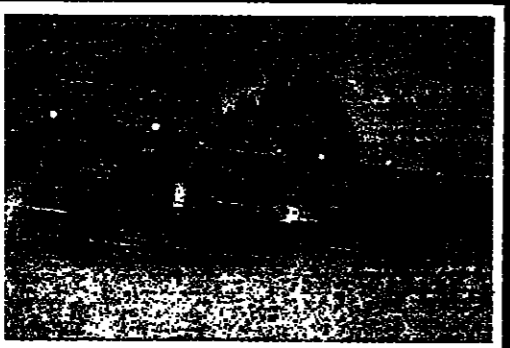
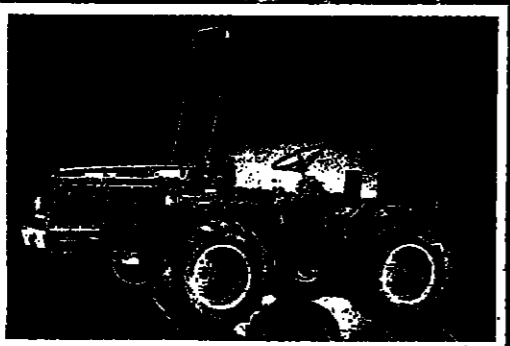
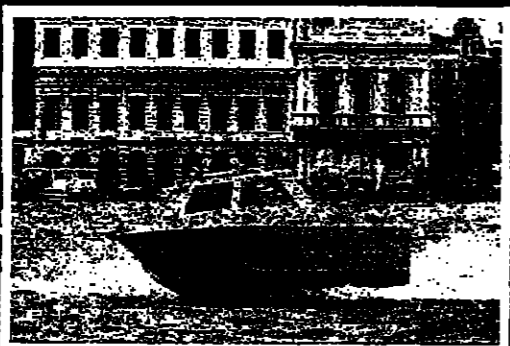
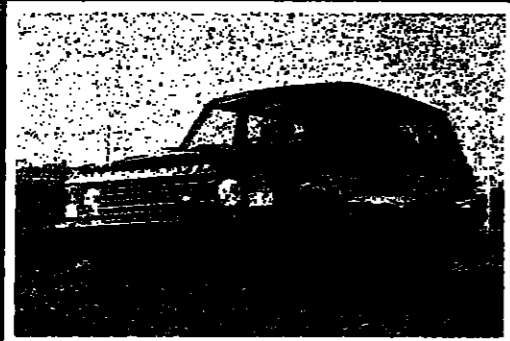
FINANCIAL-MONEY supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Consumer credit £m	Base rate %
1989							
4th qtr.	7.7	10.9	17.6	+18,085	3,168	+685	12.75
1st qtr.							
2nd qtr.	6.7	15.2	18.2	+21,182	3,762	+887	13.00
3rd qtr.	6.0	11.2	18.8	+20,525	2,588	+888	13.00
4th qtr.	7.0	12.8	19.0	+20,180	2,518	+888	13.00
January	5.6	18.2	17.6	+20,923	1,057	+848	13.00
February	5.6	18.2	18.0	+20,811	1,057	+848	13.00
March	6.4	18.5	18.4	+20,463	1,284	+852	13.00
April	6.1	14.7	18.1	+18,896	873	+850	13.00
May	5.5	14.5	17.6	+18,572	1,058	+850	13.00
June	6.2	13.8	18.1	+18,267	773	+826	13.00
July	6.1	14.0	18.0	+18,052	1,058	+826	13.00
August	5.2	16.4	18.5	+17,744	898	+826	13.00
September	5.2	16.4	18.5	+17,744	898	+826	13.00
October	5.6	9.0	17.9	+16,851	821	+890	13.00
November	6.0	9.0	17.2	+15,170	704	+170	13.00
December	6.2	9.0	18.1	+15,783	178	-39	13.00
1st 1990							
January	5.8	8.4	18.2	+15,794	+825	15.00	

INFLATION-Indices of services 1989 = 100; basic materials and basic wholesale prices



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## LONDON STOCK EXCHANGE

## Cautious bargain-hunting in equities

THE UK stock market staged a mild recovery yesterday from the sharp setback suffered earlier in the week, helped by some cautious bargain-hunting from the big investment institutions and by a rally in UK Government bonds. The political uncertainties sparked off by the success of Britain's Labour opposition party in the public opinion polls continued, and sterling gave ground again. But the technical rally from a Footsie support area was encouraged by a forecast from UBS Phillips & Drew that the FT-SE could reach 2,500 by mid-year.

The overnight news from other world markets was

Account Opening Dates		
First Opening	Mar 12	Mar 28
Second Opening	Mar 19	Mar 28
Third Opening	Mar 26	Mar 28
Fourth Opening	Mar 26	Mar 28

mixed but US buying of UK blue chips brought a firm opening, and London was about 11 Footsie points ahead before the first official calculation of the FT-SE index. But there was little follow-through, and shares were drifting until traders sensed the traces of a dealing programme. Although its

tracks were well-covered, the programme was believed to involve a 250m each way operation, with the buy side visible yesterday.

The disclosure that Phillips & Drew had joined BZW and County NatWest in predicting a rise in the Footsie this year and was also prophesying better news on inflation and base rates by the end of the year was favourable news for the market.

Good profits news from leading UK companies, including GKN and BOC, and corporate deals from British Gas and TSB Bank all kept equities firm and at best in early afternoon, the FT-SE index was

nearly 15 points ahead.

Only the subdued level of market turnover took the shine off the day's performance. Sea volume of 415.3m shares compared with 400.7m on Tuesday, again reflecting a good deal of inter-dealer business; traders admitted that retail or customer business showed only a slight improvement.

UK equities slowed down when Wall Street made an uncertain start to the new session, and the final reading showed the FT-SE index at 2,330.3, a net gain of 14.3 points.

Asstale Kaletsky writes from New York: Salomon Brothers yesterday issued here

the first long-term put warrant on the FTSE-100 index, giving investors a three-year opportunity to bet against the London stockmarket. The warrants, which were in heavy demand, gave holders the right to a cash payment equal to one per cent of the fall in the FT-SE below yesterday's mid-afternoon level of 2282.7. The warrants were issued at £3.90 and rose to \$3.58 in heavy trading on the American Stock Exchange. Salomon said plans for a companion issue of call warrants, which would have allowed speculators to benefit from a rise in the London stockmarket had been shelved because of lack of demand.

through the inter-dealer brokers, leaving 250,000 overhang on the market.

Tesco added a penny to 198p as BZW food team said they were "unreservedly bullish" about Tesco's pre-tax profits growth prospects over the next three years, and upgraded its forecast for the current year to £391m from £378m.

Traders' statements helped to check forward progress in some building stocks. The chairman's admission that 1990 will probably be another difficult year put Heywood Williams down to 225p before a late rally restored the price to the overnight level of 230p.

News of two convertible capital bond issues, raising £187.5m and £72m respectively, lowered Irish-based CRH 5 to 270p, both companies' annual profits were in line with expectations.

Continuing talk that aggregate prices were set to rise by 10 per cent touched off fresh buying of Redland, up 5 further to 555p, but Higgs & Hill slid 9 to 350p as bid hopes faded.

US buying, which has supported Satchell and Satchell in recent days, dried up and the shares fell 3 to 139p in thin volume. Wall Street seemed to turn its attention instead to Blue Arrow, whose shares are largely traded in the US. Blue Arrow climbed 4 to 90p, although turnover was meagre for the stock at 1.3m.

More offshore revelling 15 at one point after reversing profits for the current year from £13.1m. The range of market forecasts was £11.7m to £12.4m. The company cautioned, however, against being too optimistic on prospects for

FINANCIAL TIMES STOCK INDICES									
	Mar 7	Mar 8	Mar 9	Mar 10	Mar 11	Year Ago	High	Low	Since Completion
Government Secs	77.70	77.53	77.88	78.00	78.50	88.57	89.29	77.53	127.4
Fixed Interest	87.41	87.41	88.12	88.64	88.80	88.50	89.58	87.41	105.4
Ordinary Share	1757.0	1746.7	1755.6	1774.2	1784.9	1724.4	2006.6	1477.8	2006.6
Gold Mines	226.5	226.5	276.5	283.6	287.6	180.3	376.5	154.7	734.7
FT-SE 100 Share	2230.3	2216.0	2230.5	2254.6	2258.4	2075.9	2453.7	1782.6	2453.7
Ord. Div. Yield	5.03	5.02	5.00	4.98	4.97	4.40	5.03	4.97	5.03
Earnings Yield (%)	11.82	11.88	11.81	11.70	11.75	10.75	11.82	11.70	11.82
P/E Ratio (Mar)	10.23	10.18	10.24	10.34	10.28	11.24	10.23	10.18	10.23
SEAO Bargains (Spn)	24,197	25,150	24,203	21,915	21,303	32,005	24,197	21,303	32,005
Equity Turnover (m)	732.26	653.18	1078.84	742.00	1258.01	732.26	732.26	653.18	1078.84
Equity Bargains (Spn)	35,877	33,843	22,207	22,270	37,270	35,877	35,877	33,843	22,207
Shares Traded (m)	344.5	341.2	472.4	334.0	636.1	344.5	344.5	341.2	472.4
Ordinary Share Index, Hourly changes	Day's High 1761.3	Day's Low 1746.6							
Open	1747.7	1747.4	1747.1	1757.8	1760.3	1757.8	1760.3	1747.7	1757.8
FT-SE, Hourly changes	Day's High 2254.6	Day's Low 2216.1							
Open	2226.0	2226.0	2216.0	2230.5	2254.6	2230.5	2254.6	2226.0	2230.5

TRADING VOLUME IN MAJOR STOCKS									
Stock	Mar 7	Mar 8	Mar 9	Mar 10	Mar 11	Year Ago	High	Low	Since Completion
AAI	100	100	100	100	100	100	100	100	100
AAI Group	100	100	100	100	100	100	100	100	100
AAI Ltd	100	100	100	100	100	100	100	100	100
AAI plc	100	100	100	100	100	100	100	100	100
AAI (UK) Ltd	100	100	100	100	100	100	100	100	100
AAI (UK) plc	100	100	100	100	100	100	100	100	100
AAI (UK) Ltd	100	100	100	100	100	100	100	100	100
AAI (UK) plc	100	100	100	100	100	100	100	100	100
AAI (UK) Ltd	100	100	100	100	100	100	100	100	100
AAI (UK) plc	100	100	100	100	100	100	100	100	100

## Ultramar slips on results

Ultramar slipped against the market trend after posting full-year profits of £187.3m, above the middle of the range of market forecasts.

Researchers were divided in their interpretation of the numbers. Mr Alan Thomas of Kistner & Allen said the analysts' presentation was "upbeat" and recommended investors to "accumulate the stock over the next few weeks," although the sector as a whole would be weak, he believed. Mr Bruce Hume of Hore Gervot took a more cautious line. She said that although the 20 per cent dividend rise was good, profits were only up 8 per cent, when stock gains were stripped out. She added the stock was a weak hold, in line with the rest of the sector.

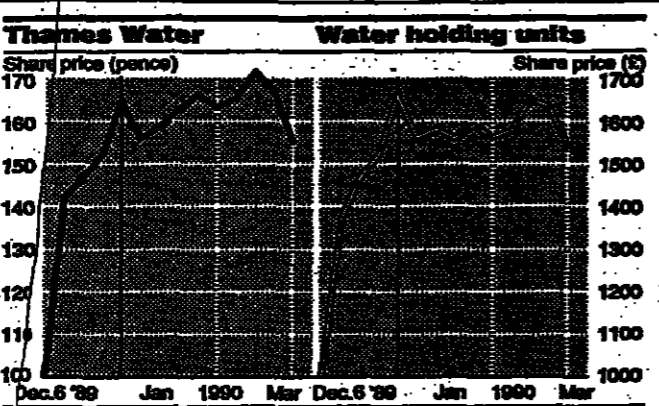
A third analyst said the question was whether Ultramar should be valued in terms of its revenues, in which case it was expensive, its assets. The asset play depended on the outcome of the offer for sale of a 20 per cent stake in the Hufington liquefied natural gas plant in Indonesia by one of the plant's owners. If this was to achieve around a week, said the analyst, then Ultramar, which also has a stake, would command a break-up valuation of more than £4 a share.

Ultramar eased 5 to 364p in profit-taking, not helped by British Gas' Canadian acquisition which dispelled any lingering hopes of a bid for Ultramar.

## GKN pleases

A larger than expected dividend was a bonus for shareholders and a surprise to most analysts as GKN reported full year profits in line with market forecasts early yesterday. The company has recommended a 12.5 per cent dividend, making a total of 20p (1p) an increase of 17.5 per cent following a rise in profits of 11 per cent to £214.8m. The shares extended their recent good run to finish 7 higher at 585p after healthy turnover of 3.1m.

Mr John Goldschmidt at Charterhouse Tilney said the GKN results were "satisfactory in a year which got progressively more difficult, particularly in the fourth quarter." He is predicting 1990 profits of £220m and £280m in 1991. However, Mr Chris Avery at Smith New Court took a more cautious view. He expects a "dull share performance over the next few months as US and UK car markets remain weak."



NatWest came under early pressure following speculation that it had lost £100m developing a branch record computer system with Logica, the computer consultancy. NatWest was down 5 at one stage, while Logica was off 9.

But the shares cut their losses as NatWest and Logica vigorously denied the report. NatWest said the departure of a senior manager from Logica was working on the system had been for contractual reasons and work was now being carried on by the bank's own staff.

Mr Chris Wheeler of Shearson Lehman Hutton said "NatWest fell on the rumours. However once it transpired that the work (by Logica) had been finished on schedule at the end of 1989 the shares started to bounce back." NatWest closed 4 off at 544p, while Logica was down 7 at 520p.

The merchant banks lost ground as the market focused on the slower pace of UK mergers and acquisitions and the slacker turnover in the stockmarket. S.G. Warburg was off 7 at 425p, while Hambro closed 5 to 385p, while Hambro lost 4 at 300p. A change in recommendation on the merchant banking sector by County NatWest also depressed prices. County recommended investors remain sellers of Hambro, move from buy to sell on Schroders, continue holding Kienwort and switch from buy to hold on Warburg.

Barclays added 4 at 555p, as investors switched out of NatWest. Abbey National gained 4 to 192p to close at an all-time high. A presentation to 120 institutions in Japan yesterday

## NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS	NEW LOWS
AAI (UK) Ltd	AAI (UK) plc
AAI Group	AAI Ltd
AAI plc	AAI (UK) Ltd
AAI (UK) plc	AAI (UK) Ltd
AAI (UK) Ltd	AAI (UK) plc
AAI (UK) plc	AAI (UK) Ltd
AAI (UK) Ltd	AAI (UK) plc
AAI (UK) plc	AAI (UK) Ltd
AAI (UK) Ltd	AAI (UK) plc
AAI (UK) plc	AAI (UK) Ltd

## APPOINTMENTS

Mr Rodney Hall has been appointed general manager of ROYAL LIFE FUND MANAGEMENT in succession to Mr Peter Barnes. Mr Hall was deputy managing director of AIGNA Unit Trust Managers.

Mr J. Southam, has been appointed Mr Terry Hartwell to the new post of development director, on the main board. He was property director, and was included in the present share developments and acquisitions. Mr Hartwell is also a director of PricewaterhouseCoopers.

Mr Steven J. Moore has been appointed a director of JOHN LAING CONSTRUCTION. He was managing director of Laing Midlands, Birmingham.

Mr Bill Trandell has been appointed finance director of DORFLEX. He was with BTR.

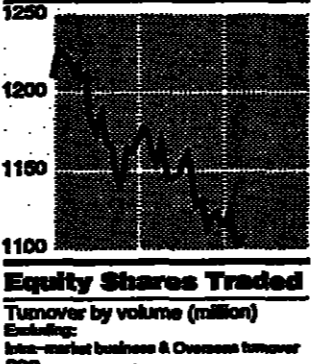
Mr Michael Fullen has been appointed director of Terradon, a landfill subsidiary. He remains Rechem International's sales and marketing director.

Mr Jonathan Browning, managing director, has been promoted to service and distribution director, cars and vans, at VAUXHALL MOTORS.

Mr David Williams has been appointed chairman of STEEL BURELL JONES MARINE REINSURANCE BROKERS.

Mr Robert Hall has been appointed Mr Bob Cargiven

## FT-A All-Share Index



## Equity Shares Traded



## showed annual profits up by 29 per cent to £201m. One analyst

commenting on the figures said: "Many expected the figures to show a slowdown in 1989 but that did not happen."

Upgradings of Redmans by BZW and S.G. Warburg pushed this lightly traded stock 22 better to 622p on above-average turnover of 889,000 shares. Mr Mark Duffy at Warburg said the value of Redmans' underlying investments and cash exceeded its market capitalisation. This appeared to put a negative value on the core business.

BZW increased its profit forecast for the current year from £385m to £390m and by the same amount for next year to £425m. It changed its recommendation from hold to buy.

Tata & Lyle eased a penny to 297p against a rising market as a tin block of shares changed hands. Dealers said 500,000 had been placed, 250,000 had traded

## LONDON SHARE SERVICE

## BRITISH FUNDS

## BRITISH FUNDS - Contd

## AMERICANS - Contd

## CORPORATION LOANS

## COMMONWEALTH &amp; AFRICAN LOANS

## LOANS

## FOREIGN BONDS &amp; RAILS

## AMERICANS

## CANADIANS

## Continued on next page

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## **MINES—Contd**

iby Mining Corp.		23	
ity Res Corp.		23	
s. March. 10c.		81	
RX Inc.		75	
uner Int. #120	16 1/2		
ty Mines 20	80	-2	
Warrens.	15		
WAR.	68		
enriches Inc.	32		
erline Gold Mines	AS 1/2	+3	
eculate Mining \$1	172	+1	
... ..	39 1/2	-2	
F Valley Rod Lake	12		
y Sullivan Res CSI	18		
ingate CSI	380	+10	
or-Quest Res.	13	+1	
ean Mining 20p.	83	+1	
10p	52 1/2	+1	
arco Res. Inc. S	15 1/2		

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dividend; cover on earnings statement.  
 rules for conversion of shares in  
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512  
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**Continued on next page**

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<p><b>SWITZERLAND (SEE REVERSE)</b></p> <p><b>CANADA (SEE REVERSE)</b></p> <p><b>GUERNSEY (**)</b></p>	<p><b>ISLE OF MAN (**)</b></p> <p><b>LUXEMBOURG (**)</b></p>	<p><b>DUBLIN (**)</b></p> <p><b>OFFSHORE INSURANCES</b></p>	<p><b>OTHER OFFSHORE FUNDS</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>
<p><b>SWITZERLAND (SEE REVERSE)</b></p> <p><b>CANADA (SEE REVERSE)</b></p> <p><b>GUERNSEY (**)</b></p>	<p><b>ISLE OF MAN (**)</b></p> <p><b>LUXEMBOURG (**)</b></p>	<p><b>DUBLIN (**)</b></p> <p><b>OFFSHORE INSURANCES</b></p>	<p><b>OTHER OFFSHORE FUNDS</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>
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<p><b>SWITZERLAND (SEE REVERSE)</b></p> <p><b>CANADA (SEE REVERSE)</b></p> <p><b>GUERNSEY (**)</b></p>	<p><b>ISLE OF MAN (**)</b></p> <p><b>LUXEMBOURG (**)</b></p>	<p><b>DUBLIN (**)</b></p> <p><b>OFFSHORE INSURANCES</b></p>	<p><b>OTHER OFFSHORE FUNDS</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>	<p><b>Money Market Trust Funds</b></p> <p><b>Money Market Bank Accounts</b></p>
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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar shrugs off intervention

CENTRAL BANKS appeared to be losing the battle against a strong dollar yesterday. The US currency continued to advance, particularly against the Japanese yen, in spite of very heavy co-ordinated intervention by the Group of Seven and several other central banks.

By the time trading closed in London the US Federal Reserve had intervened five times to sell an estimated \$500m against the yen and the D-Mark, but the US currency was around its highest level of the day, above ¥151.00 and DM1.700. Earlier in the day the Bank of Japan intervened for the ninth successive trading day, selling an estimated \$500m to \$1bn to support the yen.

Officials from the Group of Seven, meeting in Japan, agreed that the recent depreciation of the yen does not reflect economic fundamentals and is undesirable. The G7 reaffirmed its commitment to a co-ordinated currency policy and to prevent excessive declines by the yen and D-Mark.

At about the same time there was co-ordinated intervention to sell the dollar, with some 13 central banks joining in yesterday's action.

The lack of appeal of other currencies, such as the yen,

D-Mark and sterling, increased the demand for the dollar and made the task of the central banks more difficult. The fragile Tokyo equity market may have prevented a rise in the Bank of Japan's discount rate, but dealers believe the present weakness of the yen means the central bank is likely to seriously consider raising rates when the Governor of the Bank of Japan returns from a visit to Europe on March 15.

The D-Mark is suffering from fears about the inflationary impact of German monetary union, and the market no longer regards sterling as an attractive alternative, after January's disappointing UK trade figures and the apparent lack of popularity of the British Conservative Government.

After touching a peak of DM1.7100 the dollar closed at DM1.7070 in London, compared with DM1.7010 on Tuesday. The US currency also rose to a

peak of ¥151.25, before finishing at ¥151.25 against ¥149.80 previously. Against other currencies the dollar advanced to SFr1.5065 from SFr1.4995 and to FFfr5.7500. The dollar's index rose to 68.3 from 68.0.

Sterling remained out of favour, losing 1.10 cents to £1.6380. It also fell to DM2.7875 from DM2.8075, to SFr2.4700 from SFr2.4750, and to FFfr4.525 from FFfr4.575, but rose to ¥248.00 from ¥247.25 against the weak yen.

Trading was quiet in the European Monetary System. The lira was up of the system, and improved slightly against the D-Mark. In Milan the Bank of Italy bought DM142m at the fixing, and at the London close the West German currency had eased to L737.70 from L737.80. The French franc also gained a little ground against the D-Mark.

## EURO-CURRENCY INTEREST RATES

Mar 7	Short term	7 days	One Month	Three Months	Six Months	One Year
Surfing	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
US Dollar	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
UK Pound	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
D. Dollar	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
Sw. Franc	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
Belgian Franc	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
V. Franc	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
Swiss Franc	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
Belgian Franc	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
D. Dollar	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1
Asian Dollar	12.18-14.31	15.1-14.18	25.1-15.1	15.1-15.1	15.1-15.1	15.1-25.1

## CANADA

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on Page 43

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**NASDAQ NATIONAL MARKET**

30m prices March 7

Stock	High	Low	Open	Close	Change	Volume	Stock	High	Low	Open	Close	Change	Volume
ABC	10.25	10.10	10.15	10.20	+0.05	150	XYZ	15.50	15.40	15.45	15.55	+0.10	200
DEF	8.75	8.60	8.65	8.70	+0.05	120	ABC	12.30	12.20	12.25	12.35	+0.10	180
GHI	11.00	10.90	10.95	11.05	+0.10	160	DEF	9.80	9.70	9.75	9.85	+0.10	140
JKL	13.25	13.10	13.15	13.20	+0.05	170	GHI	14.50	14.40	14.45	14.55	+0.10	210
MNO	16.50	16.40	16.45	16.55	+0.10	220	JKL	17.75	17.65	17.70	17.80	+0.10	250
PQR	19.00	18.90	18.95	19.05	+0.10	280	MNO	20.25	20.15	20.20	20.30	+0.10	300
STU	21.50	21.40	21.45	21.55	+0.10	320	PQR	22.75	22.65	22.70	22.80	+0.10	350
VWX	24.00	23.90	23.95	24.05	+0.10	380	STU	25.25	25.15	25.20	25.30	+0.10	400
YZA	26.50	26.40	26.45	26.55	+0.10	420	VWX	27.75	27.65	27.70	27.80	+0.10	450
BCD	29.00	28.90	28.95	29.05	+0.10	480	YZA	30.25	30.15	30.20	30.30	+0.10	500
EFG	31.50	31.40	31.45	31.55	+0.10	520	BCD	32.75	32.65	32.70	32.80	+0.10	550
HIJ	34.00	33.90	33.95	34.05	+0.10	580	EFG	35.25	35.15	35.20	35.30	+0.10	600
KLM	36.50	36.40	36.45	36.55	+0.10	620	HIJ	37.75	37.65	37.70	37.80	+0.10	650
NOP	39.00	38.90	38.95	39.05	+0.10	680	KLM	40.25	40.15	40.20	40.30	+0.10	700
QRS	41.50	41.40	41.45	41.55	+0.10	720	NOP	42.75	42.65	42.70	42.80	+0.10	750
TUV	44.00	43.90	43.95	44.05	+0.10	780	QRS	45.25	45.15	45.20	45.30	+0.10	800
WXY	46.50	46.40	46.45	46.55	+0.10	820	TUV	47.75	47.65	47.70	47.80	+0.10	850
ZAB	49.00	48.90	48.95	49.05	+0.10	880	WXY	50.25	50.15	50.20	50.30	+0.10	900
ACD	51.50	51.40	51.45	51.55	+0.10	920	ZAB	52.75	52.65	52.70	52.80	+0.10	950
DEF	54.00	53.90	53.95	54.05	+0.10	980	ACD	55.25	55.15	55.20	55.30	+0.10	1000
GHI	56.50	56.40	56.45	56.55	+0.10	1020	DEF	57.75	57.65	57.70	57.80	+0.10	1050
JKL	59.00	58.90	58.95	59.05	+0.10	1080	GHI	60.25	60.15	60.20	60.30	+0.10	1100
MNO	61.50	61.40	61.45	61.55	+0.10	1120	JKL	62.75	62.65	62.70	62.80	+0.10	1150
PQR	64.00	63.90	63.95	64.05	+0.10	1180	MNO	65.25	65.15	65.20	65.30	+0.10	1200
STU	66.50	66.40	66.45	66.55	+0.10	1220	PQR	67.75	67.65	67.70	67.80	+0.10	1250
VWX	69.00	68.90	68.95	69.05	+0.10	1280	STU	70.25	70.15	70.20	70.30	+0.10	1300
YZA	71.50	71.40	71.45	71.55	+0.10	1320	VWX	72.75	72.65	72.70	72.80	+0.10	1350
BCD	74.00	73.90	73.95	74.05	+0.10	1380	YZA	75.25	75.15	75.20	75.30	+0.10	1400
EFG	76.50	76.40	76.45	76.55	+0.10	1420	BCD	77.75	77.65	77.70	77.80	+0.10	1450
HIJ	79.00	78.90	78.95	79.05	+0.10	1480	EFG	80.25	80.15	80.20	80.30	+0.10	1500
KLM	81.50	81.40	81.45	81.55	+0.10	1520	HIJ	82.75	82.65	82.70	82.80	+0.10	1550
NOP	84.00	83.90	83.95	84.05	+0.10	1580	KLM	85.25	85.15	85.20	85.30	+0.10	1600
QRS	86.50	86.40	86.45	86.55	+0.10	1620	NOP	87.75	87.65	87.70	87.80	+0.10	1650
TUV	89.00	88.90	88.95	89.05	+0.10	1680	QRS	90.25	90.15	90.20	90.30	+0.10	1700
WXY	91.50	91.40	91.45	91.55	+0.10	1720	TUV	92.75	92.65	92.70	92.80	+0.10	1750
ZAB	94.00	93.90	93.95	94.05	+0.10	1780	WXY	95.25	95.15	95.20	95.30	+0.10	1800
ACD	96.50	96.40	96.45	96.55	+0.10	1820	ZAB	97.75	97.65	97.70	97.80	+0.10	1850
DEF	99.00	98.90	98.95	99.05	+0.10	1880	ACD	100.25	100.15	100.20	100.30	+0.10	1900
GHI	101.50	101.40	101.45	101.55	+0.10	1920	DEF	102.75	102.65	102.70	102.80	+0.10	1950
JKL	104.00	103.90	103.95	104.05	+0.10	1980	GHI	105.25	105.15	105.20	105.30	+0.10	2000
MNO	106.50	106.40	106.45	106.55	+0.10	2020	JKL	107.75	107.65	107.70	107.80	+0.10	2050
PQR	109.00	108.90	108.95	109.05	+0.10	2080	MNO	110.25	110.15	110.20	110.30	+0.10	2100
STU	111.50	111.40	111.45	111.55	+0.10	2120	PQR	112.75	112.65	112.70	112.80	+0.10	2150
VWX	114.00	113.90	113.95	114.05	+0.10	2180	STU	115.25	115.15	115.20	115.30	+0.10	2200
YZA	116.50	116.40	116.45	116.55	+0.10	2220	VWX	117.75	117.65	117.70	117.80	+0.10	2250
BCD	119.00	118.90	118.95	119.05	+0.10	2280	YZA	120.25	120.15	120.20	120.30	+0.10	2300
EFG	121.50	121.40	121.45	121.55	+0.10	2320	BCD	122.75	122.65	122.70	122.80	+0.10	2350
HIJ	124.00	123.90	123.95	124.05	+0.10	2380	EFG	125.25	125.15	125.20	125.30	+0.10	2400
KLM	126.50	126.40	126.45	126.55	+0.10	2420	HIJ	127.75	127.65	127.70	127.80	+0.10	2450
NOP	129.00	128.90	128.95	129.05	+0.10	2480	KLM	130.25	130.15	130.20	130.30	+0.10	2500
QRS	131.50	131.40	131.45	131.55	+0.10	2520	NOP	132.75	132.65	132.70	132.80	+0.10	2550
TUV	134.00	133.90	133.95	134.05	+0.10	2580	QRS	135.25	135.15	135.20	135.30	+0.10	2600
WXY	136.50	136.40	136.45	136.55	+0.10	2620	TUV	137.75	137.65	137.70	137.80	+0.10	2650
ZAB	139.00	138.90	138.95	139.05	+0.10	2680	WXY	140.25	140.15	140.20	140.30	+0.10	2700
ACD	141.50	141.40	141.45	141.55	+0.10	2720	ZAB	142.75	142.65	142.70	142.80	+0.10	2750
DEF	144.00	143.90	143.95	144.05	+0.10	2780	ACD	145.25	145.15	145.20	145.30	+0.10	2800
GHI	146.50	146.40	146.45	146.55	+0.10	2820	DEF	147.75	147.65	147.70	147.80	+0.10	2850
JKL	149.00	148.90	148.95	149.05	+0.10	2880	GHI	150.25	150.15	150.20	150.30	+0.10	2900
MNO	151.50	151.40	151.45	151.55	+0.10	2920	JKL	152.75	152.65	152.70	152.80	+0.10	2950
PQR	154.00	153.90	153.95	154.05	+0.10	2980	MNO	155.25	155.15	155.20	155.30	+0.10	3000
STU	156.50	156.40	156.45	156.55	+0.10	3020	PQR	157.75	157.65	157.70	157.80	+0.10	3050
VWX	159.00	158.90	158.95	159.05	+0.10	3080	STU	160.25	160.15	160.20	160.30	+0.10	3100
YZA	161.50	161.40	161.45	161.55	+0.10	3120	VWX	162.75	162.65	162.70	162.80	+0.10	3150
BCD	164.00	163.90	163.95	164.05	+0.10	3180	YZA	165.25	165.15	165.20	165.30	+0.10	3200
EFG	166.50	166.40	166.45	166.55	+0.10	3220	BCD	167.75	167.65	167.70	167.80	+0.10	3250
HIJ	169.00	168.90	168.95	169.05	+0.10	3280	EFG	170.25	170.15	170.20	170.30	+0.10	3300
KLM	171.50	171.40	171.45	171.55	+0.10	3320	HIJ	172.75	172.65	172.70	172.80	+0.10	3350
NOP	174.00	173.90	173.95	174.05	+0.10	3380	KLM	175.25	175.15	175.20	175.30	+0.10	3400
QRS	176.50	176.40	176.45	176.55	+0.10	3420	NOP	177.75	177.65	177.70	177.80	+0.10	3450
TUV	179.00	178.90	178.95	179.05	+0.10	3480	QRS	180.25	180.15	180.20	180.30	+0.10	3500
WXY	181.50	181.40	181.45	181.55	+0.10	3520	TUV	182.75	182.65	182.70	182.80	+0.10	3550
ZAB	184.00	183.90	183.95	184.05	+0.10	3580	WXY	185.25	185.15	185.20	185.30	+0.10	3600
ACD	186.50	186.40	186.45	186.55	+0.10	3620	ZAB	187.75	187.65	187.70	187.80	+0.10	3650
DEF	189.00	188.90	188.95	189.05	+0.10	3680	ACD	190.25	190.15	190.20	190.30	+0.10	3700
GHI	191.50	191.40	191.45	191.55	+0.10	3720	DEF	192.75	192.65	192.70	192.80	+0.10	3750
JKL	194.00	193.90	193.95	194.05	+0.10	3780	GHI	195.25	195.15	195.20	195.30	+0.10	3800
MNO	196.50	196.40	196.45	196.55	+0.10	3820	JKL	197.75	197.65	197.70	197.80	+0.10	3850
PQR	199.00	198.90	198.95	199.05	+0.10	3880	MNO	200.25	200.15	200.20	200.30	+0.10	3900
STU	201.50	201.40	201.45	201.55	+0.10	3920	PQR	202.75	202.65	202.70	202.80	+0.10	3950
VWX	204.00	203.90	203.95	204.05	+0.10	3980	STU	205.25	205.15	205.20	205.30	+0.10	4000
YZA	206.50	206.40	206.45	206.55	+0.10	4020	VWX	207.75	207.65	207.70	207.80	+0.10	4050
BCD	209.00	208.90	208.95	209.05	+0.10	4080	YZA	210.25	210.15	210.20	210.30	+0.10	4100
EFG	211.50	211.40	211.45	211.55	+0.10	4120	BCD	212.75	212.65	212.70	212.80	+0.10	4150
HIJ	214.00	213.90	213.95	214.05	+0.10	4180	EFG	215.25	215.15	215.20	215.30	+0.10	4200
KLM	216.50	216.40	216.45	216.55	+0.10	4220	HIJ	217.75	217.65	217.70	217.80	+0.10	4250
NOP	219.00	218.90	218.95	219.05	+0.10	4280	KLM	220.25	220.15	220.20	220.30	+0.10	4300
QRS	221.50	221.40	221.45	221.55	+0.10	4320	NOP	222.75	222.65	222.70	222.80	+0.10	4350
TUV	224.00	223.90	223.95	224.05	+0.10	4380	QRS	225.25	225.15	225.20	225.30	+0.10	4400
WXY	226.50	226.40	226.45	226.55	+0.10	4420	TUV	227.75	227.65	227.70	227.80	+0.10	4450

## AMEX COMPOSITE PRICES

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FINANCIAL TIMES

## AMERICA

## New York unimpressed by surprising dollar rally

## Wall Street

IT WAS a dull morning on Wall Street, in spite of the unexpected strength of the dollar, which kept central bankers busy trying to manage the world's foreign exchange markets, writes Anatole Kaletsky in New York.

Equity trading started with an upward bias after the 27.35-point gain by the Dow Jones Industrial Index on Tuesday. But the market had difficulty sustaining its early gains of 10 points or so and drifted back to a break-even position by mid-morning.

At 2 p.m. the Dow was down 1.57 at 2,675.23. Volume was moderately heavy, with 107m changing hands by lunchtime, and breadth continued to hold up well with advancing shares outnumbering declines by about seven to six.

The main external factor which attracted the market's attention was the seemingly futile battle being waged by central banks around the world to hold down the dollar. There was concerted and unusually public dollar selling, not only by the Japanese and European banks but also by the Federal Reserve. But this seemed to have precious little effect on the dollar bulls' confidence.

## ASIA PACIFIC

## Weak yen and arbitrage selling push Nikkei lower

## Tokyo

A WEAK YEN, a consequent lack of buying interest and substantial arbitrage selling pushed shares sharply lower yesterday, writes Michio Nakamoto in Tokyo.

The Nikkei average lost close to 500 points by the morning close, but it managed to trim its losses in afternoon trading and close 428.74 lower at 33,362.34 against a day's high of 33,807.39 and a low of 33,180.04.

Declines eclipsed advances at 735 to 230, with 158 unchanged. Activity dropped considerably, with volume falling to 443m shares from the 562m traded on Tuesday. The Topix index of all listed shares fell 20.10 to 2,515.27 and, in London, the FTSE-100 50 index fell 12.64 to 1,816.52.

Defying a shoring-up process by the Bank of Japan, the yen fell sharply yesterday to a nine-month low against the US dollar, putting downward pressure on bond and equity prices throughout the day.

A leading economic daily reported that the central bank was ready to raise the official discount rate by 0.75 or 1 per cent; but yesterday's weakness suggested that even a rise of that amount would not be high enough to strengthen the yen. Selling by arbitrageurs unwinding their futures positions also contributed substantially to the downturn. The March futures contract was at a discount to the cash index and this created an opportunity for the arbitrageurs to sell their cash positions and buy the cheaper March futures.

There was continued nervousness about lower earnings. Reports that steel companies probably would not see much of a rise in earnings in the next business year to March, 1991, turned investors increasingly bearish on steel issues. In addition, the big steel companies

are sensitive to interest rates and relatively unattractive in the present environment.

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## Roundup

TURNOVER in the leading Asia Pacific markets was light, with Singapore and Australia

gaining some ground, while Hong Kong eased as investors attended to the Budget speech.

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## Roundup

TURNOVER in the leading Asia Pacific markets was light, with Singapore and Australia

## Athens suffers dispute as shares hit highs

THE PRESIDENT of the Athens Stock Exchange, Mr Nikos Niarcho, is a harassed man these days. While share prices surge to record levels, the temporary clerical staff who inscribe transfers of ownership in the classical columns of the exchange entrance demands that their jobs be made permanent.

But delays of up to a month in settling transactions have not deterred investors. "There is a real shortage of scrip, which is helping to push prices up. We're now launching a campaign to encourage more companies to join the market," Mr Niarcho says, between answering three telephones and his door. His secretary has joined the strike.

Four new issues have been launched in the past two months. All were subscribed 15 to 20 times. Another two companies are due to join the market before Easter, but with only 110 listed, all Greek, more entrants are badly needed.

## Oslo breaks third record in a row

By Karen Fossell in Oslo and Peter Berlin in London

THE NORDIC stock index, the Oslo Composite, fell 15.3 per cent in the first two months of 1990, but broke its three-month losing streak on Tuesday, rising 7 per cent.

Oslo has been the best performer in 1990 so far, rising 15.3 per cent in the first two months of the year for the second month running, turning over 50.6 per cent of its market capitalisation last month.

Yesterday in Oslo the all-share index closed at a third consecutive record high, but higher interest rates limited the climb; the closing figure was 633.35, up 1.31.

Stockholm, down by 6.7 per cent over January and February, picked up from early losses yesterday and closed slightly higher in slow trade, helped by advances on foreign markets and slightly better-than-expected Swedish producer price data. The Affinity General index rose 0.5 to 1,107.7. Total turnover amounted to only SKr268m.

Volvo fell sharply on its disappointing 1989 results, the free float closing SKr15 lower at SKr772. Mr John Longhurst of James Capel said that the 31 per cent drop in operating profits was "more than expected and that 1990 would probably be another bad year. However, he also noted the extent of the share price fall from SKr1227 last October, and the fact that Renault is expected to launch a buyback of 10 per cent of Volvo under the agreement between the two companies announced last month.

Stockholm had the highest market value of the four Nordic markets, nearly \$100bn at the end of February. Oslo had the heaviest turnover of the month at \$1.6bn.

Helinski inched up yesterday following Tuesday's news of the merger between Rann-Rekola and United Paper Mills, and the resumption of normal business after the bank strike. The Unifas all-share index rose 0.5 to 654.9 in active trading, with free share volume worth Fmk24.8m.

SEATTLE moved towards its February 26 year's low of 833.81 for the Korea composite index, which fell another 10.12 to 847.46. Government initiatives to boost the market, which worked for one day last Friday, have lost their efficacy in the face of worries about trade and inflation. Turnover was thin at 178m won, down from 259m.

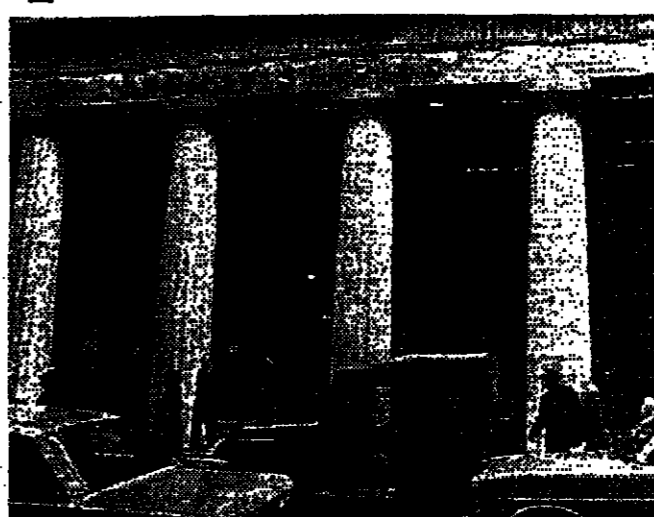
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## Kerin Hope on the problems of growth in a fast-developing bourse looking for more new entrants

Now that interest rates on working capital are hovering at about 26 per cent, businessmen who control traditionally minded family companies are beginning to show more interest in going public.

Led by the banks and the building materials sector, both of which showed substantial profits in 1989, share prices surged by almost 30 per cent in January and February, bringing the exchange index past the 500 level for the first time.

March has opened strongly, too. Yesterday saw the Athens general index hit a record high for the third day in succession, rising 1.74 to 652.07. Daily volume, which averaged Dr1.2 bn (\$7.5m) last month, reached Dr1.5m on Tuesday, the first



Behind Athens' classical columns, modernisation has speeded up

time it has passed the Dr2m level; the indications last night were that yesterday's turnover may have fallen back a little, perhaps to Dr1.6m.

The clerical workers' strike is an indication of the problems that arise from the stock exchange's position as an off-

shoot of the National Economy Ministry. Its employees are civil servants. With cutbacks threatened and an election coming up in April, the temporary staff are anxious to secure their jobs before then.

"We like to be a more independent institution. Not so

much because of strikes, but to become more efficient. At the moment, I'm waiting for ministry approval to hire two capital markets experts we need for our team," Mr Niarcho says.

Modernisation of the exchange has speeded up recently. Approval for setting up a central share depository has come through and it should be operating within three months. Two new brokerage firms owned by Greek banks have joined the 30 private brokers on the floor.

The legal framework for starting a parallel market for smaller companies is in place and enquiries are coming in. Plans for establishing a branch office of the exchange in the northern city of Salonica are making progress.

In fact, the current boom is being fuelled to a large extent from the provinces, where local business people are beginning to buy shares. The main reason is that property purchases, their traditional form of investment, will be liable to heavier taxation under a fiscal reform bill now in Parliament.

## EUROPE

## Engineering and oil issues gain ground

MOST BOURSES advanced, with Japanese buying of steel and engineering stocks lifting Frankfurt, a buoyant oil sector helping Paris and company results boosting Amsterdam, writes Peter Berlin in London.

FRANKFURT stayed positive in spite of a further small increase in the Bundesbank's average bond yield from 9.07 to 9.10 per cent. The DAX index rose 22.50 to 1,944.72 after a 7.98 rise to 1,704.45 in the FAZ, and volume put on DM2m stock Tuesday to DM7.5m, with Japanese buying detected in the market's rise in temperature.

One story was that a Japanese securities house was buying steel and engineering stocks before the start of a Europe-wide investment fund specialising in these two sectors, both of which are expected to benefit from the rebuilding of eastern Europe.

After the recent rise in steel, the engineering sector had its turn: KHD jumped DM11 to DM269.50, MAN DM11 to DM454 and Mannesmann DM9.50 to DM358.50.

Another persistent winner, BHF Bank, put on DM20 to DM498. Last year's story was

that the bank would make an ideal partner for a foreign financial giant exploring the east European route to expansion; yesterday's rumour was that BHF was planning a capital increase for its own expansion plans.

Among the big blue chips, Siemens topped the individual volume charts in turnover of DM1.2bn, rising DM15.70 to DM769.70, and helped by options-related buying. Daimler advanced DM12.50 to DM386 after Tuesday's news that it is discussing worldwide business co-operation with the Mitsubishi group of Japan.

PARIS focused on the oil sector, which benefited from prospects of rising crude prices. The CAC 40 index closed 8.27 up at 1,890.57 after Wall Street opened higher, in quiet turnover estimated at less than FF2bn.

Among oil stocks, Elf Aquitaine gained FF19 to FF622 in the day's biggest volume of 329,400 shares, Total rose FF17 to FF594 and Bouygues, the construction company which makes offshore equipment, picked up FF21 to FF572.

Volume in Frankfurt shrank to

204,300 shares from 248,300 on Tuesday and 640,000 at the end of last week. The shares eased FF77 to FF618 as some of the speculation came out of the stock and profit-taking set in.

AMSTERDAM was lifted by a series of corporate results in slightly higher turnover. The CBS tendency index rose 1.9 points, or 1.8 per cent, to 109.3.

Polygram, the music recording company, rose FI 1.10 to FI 39.10 after a 27 per cent rise in net profits. Heineken, the brewer, which reports results on Friday, advanced FI 2.10 to FI 107.30.

VNU, the publisher, picked up FI 2.70 to FI 98.20 after announcing an 18 per cent rise

## SOUTH AFRICA

DE REERS continued to hold centre stage in Johannesburg, where the JSE index closed at a preliminary 3,222, up 21 points, having touched 3,255.

De Beers, which had hit a record high on Tuesday following the release of its annual figures, surged to R33 yesterday morning before settling to close 12 up at R36.

In net profits on Tuesday. In chemicals, Akzo rose FI 1 to FI 126.60 on news of its results last week, and DSM, which reports on March 12, improved by FI 2.50 to FI 111.50.

Hoogovens, the steelmaker, continued to rise, adding FI 1.20 to FI 74.10 amid talk that it might raise its 1989 dividend.

One stock that failed to benefit from giving results was Vredestein, the tyre and rubber manufacturer, which lost 60 cents to FI 21.70 after Tuesday's news of a 1989 loss.

ZURICH put on nearly 1 per cent, the Swiss Market Index rising 15.9 to 1,704.1 on easier short-term interest rates and strong interest in chemical shares. Roche benefited from AIDS research speculation, its dividend rights certificate adding SF20 to SF374.0, Sanofi rose SF250 to SF310.60 while the biggest company in the sector, Ciba-Geigy, added SF30 to SF312.00.

BRUSSELS took heart from the success of Belgium's latest seven-year state loan and firmed in active trade. The cash index rose 55.04 to 5,582.83.

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CONFERENCES

# FINANCE INVESTMENT & TRADE WITH THE SOVIET UNION

30 & 31 May 1990, Moscow

The drastic political and economic changes affecting the Soviet Union open new opportunities to Western business as a more market based economy develops.

This important and topical conference offers a rare opportunity to listen to, debate and meet leading Soviet figures from Government, the Party, industry and finance. The sponsors see their role as providing information, assessing trends and arranging the occasion for contact-making of the kind that is helpful to strategy formulation and the development of business. The agenda gives equal stress to politics, economics, trade and finance.

Dr Aleksandr Yakovlev, Member of the Politburo is to be the principal speaker from the USSR and the other Soviet contributors include Dr Leonid Ivanovich Abalkin, Mr Viktor V Gerashchenko, Dr Oleg Bogomolov and Mr Vladimir Arutunian. From the OECD countries contributors include Mr Stephan Bechtel, Dr W F Duisenberg, Dr Axel Lehnahn, Dr Klaus Liesen, Mr Richard Webb and Mr Otto Wolff von Amerongen.

Accommodation has been arranged for the period of the conference at the Hotel Mezhdunarodnaya. Barry Martin Travel will arrange travel and visa requirements. Early registration is recommended.

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FINANCE INVESTMENT & TRADE WITH THE SOVIET UNION



## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 6 1990						MONDAY MARCH 5 1990				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's % change local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)	
Figures in parentheses show number of stocks per grouping													
Australia (84)	140.51	+0.4	126.25	122.75	-0.2	5.50	139.95	126.80	122.97	160.41	128.28	137.65	
Austria (19)	207.69	+0.6	240.22	236.26	+0.3	1.12	206.13	240.73	236.62	267.66	92.84	103.18	
Belgium (61)	137.32	+0.8	123.38	119.71	+0.5	4.69	136.50	123.48	119.17	160.02	125.56	133.38	
Canada (120)	141.93	+0.5	127.56	127.56	+0.5	3.24	141.05	127.59	121.80	154.17	124.67	133.83	
Denmark (30)	250.05	+1.3	224.88	221.82	+1.1	1.45	246.79	223.24	219.44	269.82	165.35	170.01	
Finland (26)	148.73	-0.3	131.84	128.25	-0.1	2.37	147.11	133.07	123.34	159.16	118.63	144.70	
France (126)	148.13	+0.1	131.50	131.50	+0.0	2.95	148.01	132.08	131.81	157.67	112.67	115.41	
West Germany (98)	128.04	-0.7	113.25	111.48	-0.8	1.91	128.87	114.78	112.30	137.01	70.55	85.41	
Hong Kong (48)	120.25	-0.2	108.05	120.57	-0.2	4.85	120.50	109.00	120.83	140.33	86.41	129.73	
Ireland (17)	185.80	-0.6	168.76	167.05	-0.7	2.52	168.71	168.89	168.27	198.57	125.00	145.03	
Italy (90)	84.73	-0.5	85.12	85.12	-0.2	0.59	84.44	85.09	85.56	102.11	74.97	78.80	
Japan (429)	162.40	-0.1	145.93	155.78	-0.1	0.58	162.84	147.12	163.98	200.11	138.43	190.96	
Malaysia (36)	284.98	-0.7	211.14	244.80	-0.8	2.18	238.75	214.18	248.83	245.32	143.35	155.10	
Mexico (19)	385.52	+0.2	346.40	1151.13	+0.2	0.45	384.77	348.05	1148.90	393.90	159.32	159.23	
Netherlands (43)	188.20	-0.3	115.58	115.41	-0.4	4.00	132.36	119.73	115.84	145.66	110.63	116.50	
New Zealand (18)	65.30	+0.1	68.87	59.81	-0.2	5.86	65.24	59.01	59.85	88.18	61.98	72.75	
Norway (24)	242.40	+1.3	217.81	215.91	+1.2	1.52	239.40	216.55	213.40	242.60	136.92	174.28	
Singapore (26)	163.38	-0.2	173.78	166.83	-0.2	1.74	163.77	175.26	167.11	189.38	124.57	139.44	
South Africa (50)	168.20	-0.2	135.44	135.44	+0.2	3.96	168.01	170.12	159.13	261.59	115.35	131.44	
Spain (48)	147.41	+0.4	135.45	122.06	-0.4	4.30	148.01	133.38	122.61	168.76	143.14	144.13	
Sweden (35)	180.15	+0.0	161.88	163.75	-0.1	2.28	180.12	162.93	163.85	204.85	138.45	166.30	
Switzerland (62)	93.21	-0.3	83.75	86.65	-0.3	1.16	93.23	84.60	86.92	99.12	67.31	77.11	
United Kingdom (306)	148.51	+0.0	133.44	133.44	-0.8	4.85	148.50	134.33	134.23	164.31	133.28	149.92	
USA (542)	136.81	+1.2	122.93	136.81	+1.2	3.47	135.25	122.84	136.25	146.29	112.13	119.65	
Australia (889)	139.25	-0.1	122.43	121.39	-0.4	3.58	139.39	123.36	121.90	146.66	112.35	119.40	
Nordic (121)	155.43	+0.5	150.55	150.55	+0.5	1.98	156.16	170.20	162.46	201.89	137.59	149.38	
Europe (607)	163.23	+0.1	143.79	161.26	+0.4	1.84	164.74	154.76	164.76	194.76	156.16	186.16	
Europe - Pacific (1656)	130.72	+0.1	135.47	139.51	-0.2	1.83	140.64	136.54	136.83	174.18	141.56	146.56	
North America (1682)	157.06	+1.1	123.12	135.87	+1.1	3.47	155.60	122.57	134.39	146.66	112.78	129.38	
Europe Ex. UK (683)	127.29	-0.2	114.37	113.76	-0.3	2.77	127.48	115.32	114.05	138.78	96.30	100.57	
Europe Ex. Japan (212)	151.05	+0.1	118.61	118.61	-0.3	1.89	152.96	118.46	118.46	140.05	111.93	126.74	
Asia - Pacific Ex. Japan (546)	145.75	-0.1	135.73	139.50	-0.2	1.80	151.19	136.76	138.72	173.77	137.47	140.57	
World Ex. UK (2365)	144.68	+0.3	129.92	138.99	+0.4	2.17	144.09	130.34	138.49	162.00	136.58	142.73	
World Ex. So. Af. (2331)	144.59	+0.3	129.92	138.24	+0.2	2.40	144.13	130.38	137.92	161.84	136.67	143.43	
World Ex. Japan (1939)	137.34	+0.6	123.40	130.69	+0.5	3.56	136.52	123.49	130.03	162.02	115.51	120.51	
The World Index (2381)	144.91	+0.3	120.21	138.43	+0.3	2.41	144.46	130.68	138.07	162.05	136.68	143.68	